FINANCIAL TIMES

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World Business Newspaper

WEDNESDAY DECEMBER 20 1995

Glaxo Wellcome sells $1bn stake in US joint venture

UK pharmaceuticals group Glaxo Wellcome announced the $1bn sale of its interest in a joint venture over-the-counter drugs company. Glaxo agreed to sell its interest in Warner Wellcome, a joint venture formed two years ago with US drugs and consumer products company Warner Lambert. The sale was intended to focus Glaxo Wellcome's efforts on "discovering and developing prescription products", the company said. Page 13; Lex, Page 12

Communists tighten grip on Russian parliament

The Communist party strengthened its grip on the Russian parliament when election results showed it had done unexpectedly well in single-member constituencies which account for half the seats in the lower house. The Communists are now likely to secure about one-third of the seats in the lower chamber under Russia's complex electoral rules. Page 12 and Lex; Chernomyrdin takes firm line, Page 2; After the dress rehearsal; Page 11

Vote setback for UK government: The fragile unity in the ruling UK Conservative party over European Union policy was shattered when it lost a vote on the EU's common fisheries policy by 299 votes to 297. Page 7

Brussels ducks Emu requirement decision: The European Commission left open the question of whether countries aspiring to join the single currency must, beforehand, be members of the exchange rate mechanism. Page 12

French building chief quizzed by police:

Police questioned Martin Bouygues (left), chairman of French construction group Bouygues, and searched the company's headquarters in the latest in a series of high-profile corporate investigations. He was questioned in relation to a corruption investigation, opened in 1994, concerning receipt and misuse of corporate funds, centred on alleged payments to Swiss bank accounts by a number of large French companies. Page 12

Boeing shares jumped $3 to $75⅝ in early trading – a rise of 4 per cent – after the world's biggest aircraft maker indicated the long recession in the world civil aircraft industry was coming to an end. Page 13

139 feared dead in African air crash: All but five of the 144 people on board a Zairean passenger aircraft are feared dead after it crashed in northern Angola.

PolyGram, the world's largest music group, warned that net profits would be static in 1995 because of adverse exchange rates, a dearth of successful films and the delay in releasing a number of albums. Shares in the Dutch group fell 9.2 per cent. Page 13; Lex, Page 12

Kidnapped Swiss billionaire freed: Billionaire Swiss businessman Geo Mantegazza, kidnapped from his office in southern Switzerland, was freed after a massive police hont.

Japan to liquidate seven loan groups: The Japanese cabinet endorsed a scheme to liquidate seven troubled housing loan companies, in a move which will involve the unpopular use of at least Y685bn ($6.8bn) in public funds. Page 5

Germans in $1.1bn ship deal with Hyundai: South Korea's largest shipbuilder, Hyundai Heavy Industries, said it had received a total order of $1.1bn from two German shipping groups. Page 4

Algerians killed by car bomb: Two Moslem fundamentalists were killed when the bomb in the car they were driving exploded during a chase by security forces in Algeria.

Dunlop Slazenger, one of the world's leading sporting goods manufacturers, is to be sold to a management buy-out team for more than £300m ($475m) by UK industrial conglomerate BTR. Page 13; Lex, Page 12

Belgian strikers cause transport chaos: A fresh wave of strikes at Belgian national railways and the national airline Sabena plunged the transport sector into chaos. Page 2

Bank of France staff halt job cuts: Bank of France workers disrupted a meeting scheduled to announce up to 800 job cuts, and forced the governor to agree to a three-month delay for further talks. Page 3

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,070.52	(–4.69)
NASDAQ Composite	1,009.27	(+6.71)
Europe and Far East		
CAC40	1,810.21	(–10.26)
DAX	2,235.62	(–30.57)
FT-SE 100	3,576.9	(–19.2)
Nikkei	19,146.49	(–170.59)

US LUNCHTIME RATES

Federal Funds	5 11/16%
3-mth Treas Bills: Yld	5.263%
Long Bond	109 11/32
Yield	6.179%

OTHER RATES

UK: 3-mo Interbank	6 3/16%	(6 1/2%)
UK: 10 yr Gilt	106 11/32	(107 1/4)
France: 10 yr OAT	107.07	(107.48)
Germany: 10 yr Bund	102.68	(102.69)
Japan: 10 yr JGB	113.468	(113.878)

NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$17.75	(17.90)

GOLD

New York: Comex		
(Feb)	$388.4	(388.6)
London:		
close	$387.75	(387.3)

DOLLAR

New York: lunchtime		
£	1.543	
DM	1.4385	
FFr	4.9445	
SFr	1.1535	
Y	101.835	
London:		
£	1.5433	(1.5386)
DM	1.4355	(1.4318)
FFr	4.9412	(4.9342)
SFr	1.1521	(1.1503)
Y	101.67	(101.59)

STERLING

DM	2.2195	(2.2028)
Tokyo $ close		Y 101.56

Austria	Sch35	Greece	Dr300	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$30	Morocco	MDir15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv110.00	Iceland	IKr220	Nigeria	Naira50	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	K55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils 675	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00

Fleet Financial buys NatWest Bancorp for $3.56bn

US group makes second acquisition to expand in New England

By George Graham in London

National Westminster Bank yesterday agreed to sell its US retail banking subsidiary to Fleet Financial Group in a deal valued at $3.56bn.

The acquisition is the second major expansion this year for Fleet, which has only just completed the $3.3bn purchase of Shawmut National and now spreads further down the east coast of the US with the addition of NatWest Bancorp's branches in New York and New Jersey.

Mr Terry Murray, Fleet's chairman, aims to create a New England-based institution capable of competing with big national rivals. Although he expects to slim down Fleet's balance sheet by selling off around $31bn of government securities, the NatWest Bancorp acquisition will leave Fleet with total assets of around $90bn.

NatWest said the pace of consolidation in the US banking market meant Bancorp could not have maintained its competitive position without substantial further investment, which could not be justified by the returns. By taking around £15bn ($23bn) of weighted risk assets off NatWest's balance sheet, the deal releases around £1bn of capital, which the British bank said it could use for manageable acquisitions in UK commercial and retail banking, investment banking and private banking.

Mr Derek Wanless, NatWest's chief executive, said the group had "no plans to acquire a major US investment bank".

Instead, NatWest said it was reviewing the option of returning surplus funds to shareholders through a share buyback. This year'a annual general meeting authorised the repurchase of up to 100m shares, representing 5.6 per cent of NatWest's capital.

The purchase price is well below the figure of $4bn widely anticipated whan NatWest announced in September that it was discussing tha sale. At roughly 1.7 times book value, it is also lower than many comparable deals in the US.

Mr Wanless said the price had been depressed because a US purchaser paying cash has to amortise goodwill, and thus sees its earnings suffer. "We were aware it would ha more difficult because of the goodwill hit," he said.

He said there were some reaaons for doubting that the climate for a sale would be as good in two years. "We don't think it could possibly be a bad time to sell."

Fleet is to make an initial cash payment of $2.6bn, but will have the option to pay up to $175m of this in common stock and up to $300m in preferred stock.

Fleet will also make annual cash payments effectively equal to half Bancorp's annual post-tax earnings to NatWest, up to a total of $560m.

These deferred payments, which easa Fleet'a goodwill accounting problem, could

Continued on Page 12

OECD cuts forecasts for leading economies

By Gillian Tett in Paris

The Organisation for Economic Co-operation and Development yesterday downgraded its forecasts for six out of seven of the world's leading economies, and projected a weaker than expected pace of world growth.

The move by the Paris-based body, which acts as a think-tank for 26 of the world's industrialised economies, highlights the disappointing nature of the European and Japanese recoveries this year.

Indeed, the OECD admitted that recent data suggested that the prognosis for German growth this year was still worsening. Recent strikes in France had probably also reduced growth this year, it added.

This shift yesterday led the OECD to hint that there might be scope for further reductions in German interest rates, on top of the recent cut by the Bundesbank, if growth slowed further.

But it insisted that the Bundesbank would need to act "very very cautiously", and could not do anything that might seem like a "loosening of policy".

And with the OECD now admitting that growth in the US was stronger in the second half of the year than it originally expected, it warned that US indicators remained too finely balanced to cbange rates at the moment.

With the exception of the US, the OECD yesterday downgraded all its forecasts for growth in the G7 economies this year. Next year it expects activity to rebound, since the fundamentals remain healthy; overall growth in the OECD region is expected to be 2.6 per cent.

However, growth this year is expected to be only 2.4 per cent – about 0.25 percentage points less than the OECD projected in tha summer and 0.5 points less than it projected a year ago.

Part of this trimming of the forecasts reflects slower expansion in Japan this year – a trend the OECD thinks should be reversed next year, particularly if the yen weakens further.

However, the cuts also reflect the weaker than expected performance in Europe, particularly Germany. In November the OECD projected that the German economy would grow 2.1 per cent this year and 2.4 per cent next year. It now thinks even these forecasts are too optimistic by about 0.25 percentage points.

Growth in France has also been revised down. In November the OECD projected growth of around 2.7 per cent this year, but it now thinks growth will be nearer 2.4 per cent.

This might be still regarded as too optimistic by some in France: the French employers federation yesterday warned that the strikes had cost FFr20bn ($4.1bn).

OECD sees tiny cut in unemployment, Page 6
Editorial Comment, Page 11

Richard Holbrooke, above, main architect of the Bosnian peace deal, is due to return to Wall Street as an investment banker in the new year, after announcing his intention to leave the US State Department. Career diplomat John Kornblum will take over from him. Report, Page 6 Picture: Reuters

Dow surges as short-term rates are cut to 5.5%

By Michael Prowse in Washington

Tha Federal Reserve yesterday moved to stimulate the US economy by cutting short-term interest rates by a quarter point to 5.5 per cent. It said the move was justified by declining inflationary pressures.

The announcement came as Republican congressional leaders and President Bill Clinton prepared for fresh negotiations to try to resolve the impasse over the federal budget.

The easing of policy was welcomed on Wall Street where bond and share prices rose strongly after a morning of nervous trading as investors awaited the Fed's decision.

Within 45 minutes of the Fed's announcement the Dow Jones Industrial Average climbed more than 40 points from a loss of about 20 points to show a gain of 24.21 at 5,099. The benchmark 30-year long bond added 1¼ points to 110 11/32 to yield 6.110.

"Since the last easing of monetary policy in July, inflation has been somewhat more favourable than anticipated, and this result, along with an associated moderation in inflation expectations, warrants a modest easing in monetary conditions," the Fed said in a short statement.

The quarter-point cut in the federal funds rate – the rate at which banks lend to each other – followed a similar move on July 6 when the Fed began its current cycle of easing policy.

The shift to easing followed pre-emptive action to contain inflation that involved a doubling of short-term interest rates from 3 per cent to 6 per cent in the year to February.

The discount rate, at which the Fed lends to banks, was left unchanged yesterday at 5.25 per cent. However, it is of largely symbolic significance as littla borrowing occurs at the "discount window".

The Fed's announcement followed signs of growing apprehension about economic prospects in the business and financial community. Chief executives of large US companies pnt advertisements in leading newspapers yesterday calling on Congress and the White House to reach a compromise plan to balance the federal budget over seven years.

On Monday the Dow Jones Industrial Average fell more than 100 points on fears that the Fed would delay a rate cut until a deal on the budget was agreed.

US economists said an easing of policy was appropriate given the recent deceleration in economic growth and a series of encouraging figures on inflation. In July the Fed predicted inflation of 3-3.5 per cent this year. But figures last week showed the consumer price index up 2.6 per cent in the year to November.

Government bonds, Page 20

AEG to sell automation and energy businesses to French

By Andrew Fisher in Frankfurt and John Ridding in Paris

AEG, the lossmaking subsidiary of Germany's Daimler-Benz, is to sell businesses making up a third of its turnover to Alcatel Alsthom of France in a significant reshaping within the European electrical and electronics industry.

The sales consist of AEG's profitable energy distribution division, with sales of DM2bn ($1.4bn) and 9,000 employees, and its lossmaking systems and automation activities, with DM1.5bn turnover and 6,000 people. They take effect from January 1.

Widely expected in view of AEG's big losses, expected to exceed DM1bn this year, the deals announced yesterday are part of the gradual dismantling of the company, which also plans to close its Frankfurt headquarters. AEG'a works council said heavy job losses would result, but the company said 500 job cuts had already beeo agreed on the energy side and 1,200 in the manufacturing of automation equipment. With Daimler's aerospace division also suffering from the impact of the weak dollar – the main currency used in the industry – and high costs in Germany, Mr Jürgen Schrempp, Daimler's chairman, was keen to agree both disposals this year. The group, which owns the profitable Mercedes-Benz car and truck manufacturer, has forecast a heavy loss for 1995.

Lesson in mismanagement ..... Page 15

Mr Schrempp said the sale of the two AEG divisions was part of Daimler's streamlining efforts. "It also marks a continuation of our drive to restore profitability." Alcatel Alsthom, with activities in transport, telecommunications and engineering, said the deal would strengthen two of its core businesses, enabling a strategic expansion in the German market.

It would also push GEC-Alsthom, its joint venture with GEC of the UK, to the dominant position in international power transmission and distribution. GEC-Alsthom is buying the energy activities outright. Cegelec, the electrical engineering arm of the French company, will hold 51 per cent of a new holding company containing the systems and automation business of AEG which will initially keep 49 per cent.

The French group declined to comment on the price paid, but said that the group's annual sales of about FFr170bn ($34bn) would be increased by FFr8bn. GEC-Alsthom's sales in power distribution will rise from Fr11.5bn to FFr18.5bn. The deal will strengthen its presence in Germany, where its workforce will double to 12,000, and in eastern Europe and south-east Asia.

By taking control of the automation side of AEG, Cegelec will strengthen. Alcatel Alsthom's presence in environmental, petroleum and manufacturing industries. It will also provide a significant expansion in Germany, increasing Cegelec's sales there from about FFr1.4bn to FFr6.5bn.

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هكذا من الأصل

Chernomyrdin takes firm line in face of Communist poll gains

Russian PM promises to continue inflation fight

By John Thornhill in Moscow

Mr Victor Chernomyrdin, Russia's prime minister, yesterday promised that his government would not deviate from its tough anti-inflationary programme despite the gains made by the Communist party in Sunday's parliamentary elections.

"The government intends to continue its economic course. What is essential for us is stability and above all economic stability," the prime minister said in a speech to the upper house of parliament.

But he hinted that the government could soften some economic policies providing "political support" to high-tech companies, increasing some import duties, and paying compensation to the elderly whose savings have been eroded by high inflation.

Mr Chernomyrdin, whose moderate Our Home is Russia movement won just 10 per cent of the votes in the ballot for the lower house of parliament, said the government's policies would ensure the Russian economy started growing again in 1996 after five consecutive years of decline.

He also forecast inflation would fall to below an annual rate of 30 per cent in the first six months of 1996 as a result of the tough monetary policies pursued this year.

The upper house of parliament yesterday backed the government's stance and approved the tough draft budget for next year, removing the last legislative hurdle.

It also backed a long-awaited production-sharing bill designed to attract foreign investment to Russia's oil industry – although the government described it as "unworkable" after being heavily diluted.

The government's economic forecasts have been broadly supported by a review conducted by the Organisation for Economic Co-operation and Development which suggested the economy could grow by 2 per cent in 1996 accelerating to 4 per cent in 1997 "provided the momentum of the progress with financial stabilisation is maintained and in the absence of major adverse political shocks".

Political observers said the government's promise to press ahead with tough economic reform appeared a bold strategy ahead of the presidential election in June.

The results of the parliamentary elections have been widely interpreted as a protest vote against the pain of economic reform which could lead to the election of a Communist or nationalist president next year.

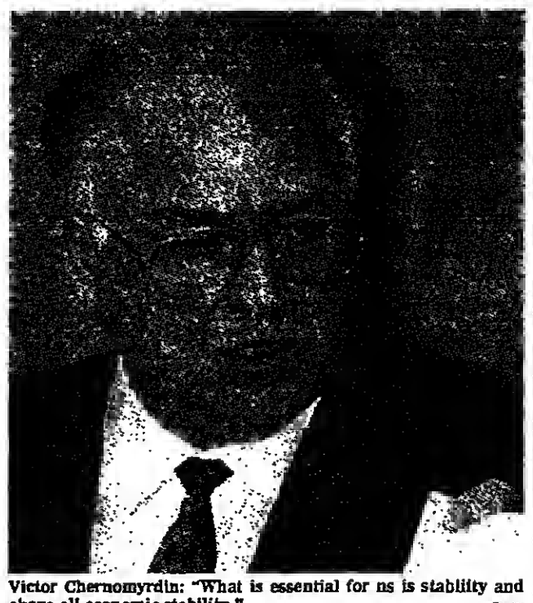
On Monday, Mr Alexander Shokhin, the former economics minister and campaign manager for Our Home is Russia, admitted the elections showed people were tired of "excesses of reforms" and promised "people must feel the results of economic stabilisation directly, not just in statistics".

The International Monetary Fund, which has backed Russia's reform programme, has praised the government's success in cutting monthly inflation from 17.8 per cent in January to an expected 3.5 per cent this month. But, despite an improvement since the summer, some 30m Russians – or one fifth of the population – are still estimated to live below the official poverty line.

Mr Richard Layard, an economics professor from the London School of Economics and adviser to the Russian government, said last week that the preliminary parliamentary approval of the draft budget, the appointment of a competent central bank governor, and continuing discussions with the IMF over a three-year loan would help keep economic reform on track irrespective of the political climate.

After the dress rehearsal, Page 11
Lex, Page 12

Andrei Kozyrev (above left, with an aide) said yesterday he would consult President Boris Yeltsin before deciding whether to step down as foreign minister after winning a seat in parliament Reuter



Victor Chernomyrdin: "What is essential for us is stability and above all economic stability." Reuter

Nationalist surge worries neighbours

By Matthew Kaminski in Kiev

The strong showing by Communists and ultra-nationalists in Russia's parliamentary election has caused anxiety among newly-independent neighbouring states.

From Tallinn to Kiev, government officials fear a hard-line foreign policy emerging in Moscow after a third of Russian voters backed political parties whose appeal partly rested on promises to revive Russia's greatness or restore the Soviet Union. They doubt that Mr Victor Chernomyrdin, the Russian prime minister, can keep his promise not to change course.

"In one way or another, Russian policy will have to change," said Mr Kalev Stoicescu, chief of policy planning at the Estonian foreign ministry. "We're worried our bilateral relations, and the upcoming presidential elections [in Russia], will be shaped by the struggle between extremist groups."

The resilience of Mr Vladimir Zhirinovsky's Liberal Democratic party might lead to increased calls to incorporate the three Baltic countries into western security structures, including Nato, and clarify Ukraine's strategic role in the volatile region.

A more aggressive line from Moscow could have the greatest resonance in Ukraine, which has a large Russian population. Many Russian politicians do not acknowledge Ukraine's independence, though relations between Kiev and Moscow have improved recently.

The division of the Black Sea fleet remains an outstanding issue, as does Moscow's recognition of current Ukrainian frontiers to include the Russian-dominated Crimean peninsula. A standard friendship and co-operation treaty has still not been signed.

Mr Boris Soholev, leader of the Reform group in Kiev's parliament, argued that the Communist revival and the surprising strength of nationalist parties reflected the depth of "Russian great power chauvinism".

Ukraine has tried to resist Russian pressure for closer economic and military co-operation, and instead has attempted to improve relations with western countries. It was the first ex-Soviet republic to join Nato's Partnership for Peace programme.

Mr Konstantin Hrishenko, Ukraine's deputy foreign minister, said uncertainty about Russia's future should lead the west to back Ukrainian independence and be careful in eastward expansion of Nato. "We don't want to be left between two enemy blocs," he said.

The Baltics' relations with Moscow are complicated by the presence of a sizeable Russian minority – whose welfare and civil rights, the election showed, remain a potent political issue in Russia. "The more powerful the ultra-nationalists become the greater becomes the need for the Baltic countries to gain security guarantees from the west," said Mr Stoicescu. But, he added, it would be June's presidential elections which would hold the key to future relations between Russia and its former colonies in the so-called "near abroad".

González appoints career diplomat

By David White in Madrid

Mr Carlos Westendorp was sworn in yesterday as Spain's foreign minister, in an appointment aimed at keeping a steady hand on Madrid's European policies in the run-up to next spring's general election.

He replaces Mr Javier Solana, who has taken up his new job as secretary-general of Nato in Brussels.

The 58-year-old Mr Westendorp, a career diplomat who is highly respected in EU capitals, has been state secretary for Europe since 1991. Before that, he has Spain's representative in Brussels, and played a prominent role in Spanish entry negotiations from the early 1970s.

While he was the most obvious candidate for the job, his appointment had been in some doubt amid reports that a more political figure might be preferred for the foreign ministry. Mr Westendorp, although a card-carrying Socialist, has never held any party post.

Mr Westendorp was passed over for the foreign minister's job in 1992 in favour of Mr Solana. The lack of personal chemistry between the two became notorious. However, there was no question of disloyalty and little evidence of policy discrepancies. Officials yesterday denied reports that Mr Solana was reluctant to back the appointment.

Mr Felipe González, the prime minister, dropped a strong hint about his intended choice at the end of the European Union summit in Madrid on Saturday when he echoed the widespread praise of Mr Westendorp's work.

Having ended speculation about his own plans on Monday, when he agreed to head the Socialist party campaign again in the next election, Mr González has opted for an experienced professional as foreign minister rather than risk promoting a politician for what may be a short stint in the job.

The general election, which polls suggest will favour the conservative Popular Party over the Socialists, has been provisionally promised for March, but a new government would probably not be in place until May. The foreign minister will therefore have an important role in discussing guidelines for revision of the Maastricht Treaty at next year's EU inter-governmental Conference, due to be launched in Turin on March 29.

Mr Westendorp (whose grandfather came from Holland) has spent the past six months chairing the "reflection group" set up to pave the way for the conference, and drawing up its report for the Madrid summit.

EUROPEAN NEWS DIGEST

Berlusconi in budget surprise

The Italian parliament last night unexpectedly demanded a further L5,250bn ($3.2bn) in spending cuts, presenting the government with a major problem over the 1996 budget.

The demand, the initiative of the right-wing alliance headed by Mr Silvio Berlusconi, the former prime minister, comes on top of L14,000bn in cuts announced in September – a level generally accepted by all main political parties.

The fresh cuts will be extremely hard to find at this late stage with the budget due for final approval in the next few days to meet the end of year deadline.

The move was seen as a move by the Berlusconi camp to show its displeasure with Mr Lamberto Dini, the prime minister, who has so far successfully outmanouevred them over the budget. Mr Berlusconi has been backed by the populist Northern League which also wants to avoid new taxes. *Robert Graham, Rome*

Privatisation finds few takers

The Romanian government has been forced to extend the subscription period for its ambitious mass privatisation programme because of poor public response. Government officials say only 7 per cent of the nearly 18m Romanians eligible to participate had subscribed by the middle of this month.

Romanians had three months from October to use free privatisation coupons to bid for shares in nearly 4,000 state companies or to place their coupons in one of five state-run mutual funds. Parliament extended the final date for bids for companies from the end of this month to the end of March, and the deadline for the five funds will be the end of April. However, it refused to allow securities houses to pool coupons and bid on behalf of clients. Deputies from the governing left-nationalist coalition feared this might play into the hands of interest groups.

The government drew up the programme last year after pressure from the World Bank and other lenders to speed up privatisation. However, analysts consider the scheme too complicated and say the public has had too little information about companies. Government efforts to speed up sales of state companies have also been complicated by the resignation of Mr Constantin Dumitru as head of the State Ownership Fund, the main privatisation body. *Virginia Marsh, Budapest*

EU to resolve steel wrangle

European Union industry ministers meet in Brussels today to try to resolve the dispute between London and Dublin over the Irish Steel rescue plan, which the UK claims threatens British jobs and breaks EU state aid rules. The three-month wrangle over subsidies to the loss-making Cork-based concern threatens wider UK-Irish political relations at a critical time in the Northern Ireland peace process. London is objecting to Dublin's agreement with Ispat International, an Indian steel company, under which Dublin would provide I£27m in state aid to refinance Irish Steel's debts. British and Irish officials failed to find a solution during talks in Dublin over the weekend. Asked about the dispute in the House of Commons yesterday Mr John Major, the UK prime minister, said: "If we cannot agree it won't be for lack of trying on our part."

Mr Lakshmi Mittal, chairman and chief executive of Ispat International, said yesterday the UK demands were "designed to bring about the demise of steelmaking in Ireland". He accused the British of going back on an earlier production accord, which Ispat had "reluctantly" agreed to last month. Irish Steel had output of around 243,000 tonnes of finished product in 1994, and under the deal, Ispat proposed to increase that to 350,000, the registered capacity of the plant. Mr Mittal said the UK was now demanding reductions of more than 35,000 tonnes of production over five years.

This he said would "ensure that Irish Steel remains uncompetitive in both the European and International steel markets". *John Murray Brown, Dublin*

Editorial comment, Page 11

Strikes hit Belgian travel

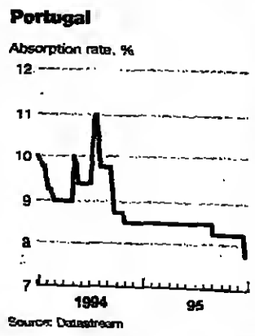
A fresh wave of strikes at Belgian national railways and the national airline Sabena yesterday plunged the transport sector into chaos. Most Sabena flights were cancelled and train traffic was halted in the south of the country. The rail strike followed a decision by the board of Belgian Railways to approve a restructuring scheme to save BFr70bn ($2.4bn) and cut 8,500 jobs over the next 10 years without consulting the unions. Sabena workers are angered by management plans to freeze wages and increase working hours. *Reuter, Brussels*

Hungary agrees IMF standby

The International Monetary Fund said yesterday it had reached the basis for an agreement with Hungary over a much delayed 18-month stand-by arrangement, pending parliamentary approval of satisfactory 1996 budgets for the country's two social security funds. Parliament is not expected to pass the budgets for the semi-independent funds until early next year. Hungary's Socialist-led government has been trying to reach agreement with the fund ever since taking office in July 1994. The government, which recently repaid some of Hungary's earlier IMF loans ahead of schedule, does not intend to draw on the credit but hopes IMF approval of its economic programme will boost international confidence in its market-led reforms. *Virginia Marsh, Budapest*

ECONOMIC WATCH

Portugal cuts interest rates



Portugal's central bank yesterday cut two key money market rates by 50 basis points following the lead of the Bundesbank and amid signs of a slowdown in economic growth. It lowered the absorption rate, the rate at which banks place excess funds with the central bank, to 7.75 per cent from 8.25 per cent. The emergency lending rate, the cost of overnight funds for banks, was cut to 10.5 per cent from 11 per cent. Figures released recently by the National Statistics Institute showed that Portugal's growth rate has decelerated in the second half of 1995. Exports, industrial production and investment were all growing at a slower pace, mainly because of weaker demand from other European Union countries. *Peter Wise, Lisbon*

■ The Bank of Finland yesterday made the fourth cut in its main short-term interest rate in three months, saying it had revised downwards its inflation forecasts for the next two years. The decision, cutting the tender rate from 4.75 per cent to 4.25 per cent, means rates have been cut by 1.75 percentage points since September. The fall will raise hopes of a faster pick-up in the domestic economy, helping to combat unemployment running at 18 per cent of the workforce. The central bank now expects the underlying rate of inflation to remain well below 2 per cent in 1996 and 1997. This year the annual rate has run at less than 1 per cent, reflecting lower food prices since Finland joined the EU in January and the effects of the strong markka. *Hugh Carnegy, Stockholm*

■ Austrian inflation fell by 0.1 per cent month-on-month in November but remained at 1.9 per cent year-on-year.

■ Sweden's industrial production rose a preliminary 0.5 per cent in October from September and was up 6.2 per cent from October last year. Industrial orders in October were down 4.0 per cent from a year earlier.

Turkey finds economic options have narrowed

Whoever emerges as winner in Sunday's general election will have little choice but to take tough remedial action, reports **John Barham**

Whoever emerges as Turkey's next leader after Sunday's general election will have few choices when it comes to economic policy. With the economy deteriorating rapidly and a heavy debt repayment schedule looming, financial markets expect that among the next prime minister's first announcements will be a tough stabilisation package.

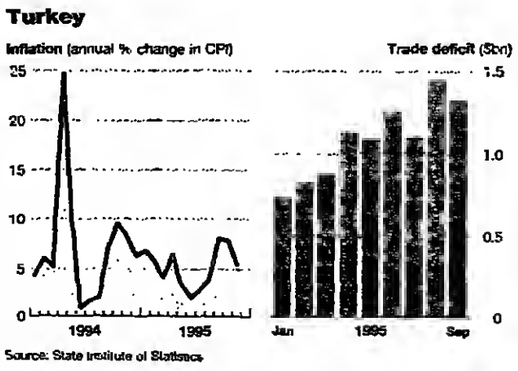
Mrs Tansu Çiller, the prime minister, started a dash for growth in September after her coalition government collapsed and elections became inevitable. Mr Hüsnü Akhan, assistant general manager of Istanbul's Garanti Bank, says her re-election attempt is driving economic policy "without evaluating or considering anything else".

She abandoned partially successful attempts to meet International Monetary Fund monetary, exchange rate and spending targets. The budget deficit will probably exceed this year's $4.2bn target by 40 per cent or more.

The nominally independent central bank overshot its year-end exchange rate target in mid-November. Its currency reserves fell by more than $1.5bn this month (if forward sales, which are not included in the central bank's accounts, are counted) to about $12.65bn.

The government did slow inflation in November, when the monthly rate dipped to 5.5 per cent from 7.8 per cent in October, but only by freezing prices of goods sold by state-owned companies, further widening the budget deficit. But an expanding money supply means inflation will start rising again soon.

Mrs Çiller's electoral priorities ended a period of relatively sound economic management that began after she adopted an IMF austerity package last year to cope with the worst economic crisis in Turkey's recent history. The economy shrank by 6.1 per cent and inflation hit a record 126 per cent in 1994.



Opinion polls suggest voters have not forgiven Mrs Çiller for plummeting living standards and heavy unemployment. Polls put her conservative True Path party in fourth place.

The Islamic fundamentalist Refah party is leading, followed by the conservative Motherland party and the moderate Democratic Left.

Understandably, politicians avoid saying how severe their emergency programme will be. Still, a Motherland party adviser says "spending must be cut immediately, the currency must be devalued and state companies' prices must rise by 40-45 per cent". This will cause a temporary burst of heavy inflation early next year before the economy can be stabilised.

Rapid action will be needed to meet next year's debt repayment schedule. About three-quarters of the Treasury's $24.4bn domestic debt matures by May.

Although politicians deny they would reschedule these debts, markets fear the next government may have no choice. Ms Miranda Xafas of US investment bank Salomon Brothers: "The best case scenario is for a strong coalition and a strict budget to increase cashflow. The worst case is that [coalition] negotiations drag on with little action on the budget."

If the latter, central bank reserves could slump and interest rates soar, seriously disrupting the economy.

Economists agree that only public sector reform can bring lasting stability. Mrs Çiller tried to privatise state companies and reform the social security system, but political opposition prevented her making much headway.

The next government may also lack a mandate for economic reform. Although Refah may win the most seats in parliament, the Motherland or True Path parties will probably form the next government in alliance with a small leftwing party.

Mrs Çiller's present government is just such a coalition. Her partners, the social democratic People's Republican party, doggedly prevented significant public sector reform during the government's four-year life.

Companies braced for import challenge

By John Barham in Ankara

The European parliament's approval last week of a customs union with Turkey means that nearly all barriers to trade between the European Union and Turkey will be abolished on January 1.

Political issues such as Turkey's human rights record and the rise of radical Islam dominated the parliament's ratification debate, obscuring the customs union's far-reaching economic effects.

The loss of Turkey's 6 per cent average tariff on imports from the EU will expose companies to increased European competition. The Union scrapped most barriers to Turkish products long ago; so, in the short term, Turkey will benefit little.

Large locally-owned companies and multinational corporations based in Turkey are investing heavily in technology and new products to resist the competitive onslaught. Companies are also restructuring to achieve economies of scale. For instance, the Sabanci group, Turkey's second largest conglomerate, plans to boost turnover to $15bn-20bn a year in 2002 from $6bn now. McKinsey, the US consulting firm, is helping Sabanci reorganise itself.

The customs union has bolstered business confidence, particularly among the many small companies which make up the dynamic clothing and textile industry. The industry began investing aggressively this spring, as approval of the customs union looked increasingly probable. Exports could double to $15bn next year, with most of the increase going to Europe.

Although Turkey has some excellent companies, most suffer from underinvestment, low productivity and quality, inadequate management and weak finances. Many small and medium-sized companies may fold, worsening already heavy unemployment.

Perversely, Turkey's low incomes offer its companies a degree of protection. According to Mr Erol Ergene, who runs Akçelik, a small steel company, his customers "are not prepared to pay more for better quality [EU] goods".

However, increased investment, not trade, will probably be the customs union's greatest reward. Turkey attracts less than $1bn a year in inward investment, most of it from the EU. Bankers say there are plenty of local businesses needing a capital injection or a strategic alliance with an EU partner. Furthermore, Turkey has a large domestic market of 62m people and its low costs make it an attractive export base.

In time, more investment will create jobs and raise incomes. It will strengthen Turkish management and improve workers' skills. Looking further into the future, the customs union could even help stabilise the economy.

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French business gloomy as unions flex muscles

Strikes cost £2.6bn, say employers

By David Buchan in Paris

France's Petronat employers' federation yesterday added to increasing gloom about the country's growth prospects by estimating that the recent public sector strikes had added a FFr20bn (£2.6bn) bill to an economy that may already be in recession.

Mr Jean Gandois, the Patronat president, said his federation was in no position to play "Father Christmas" at the "social summit" of the government, employers and unions convened by Prime Minister Alain Juppé for tomorrow.

The Patronat would block any attempt by the unions to argue for a boost to consumer demand through general private sector wage increases, he said.

Mr Denis Kessler, a Patronat vice-president responsible for economic affairs, was more pessimistic than Insee, the government statistics agency, which on Monday put the strikes' cost at up to FFr8bn and forecast 0.1 per cent growth in the final quarter of this year and 0.7 per cent in the first half of 1996.

"We believe growth will be slightly negative in the final quarter, and therefore we could actually be in recession," said Mr Kessler, predicting output in the first three months would be flat and that no upturn would come before the second quarter of next year. These forecasts are likely to encourage the unions to use tomorrow's summit to press for reflation measures benefitting their members.

While ruling out any further pay measures beyond the 4 per cent increase in the national minimum wage last summer, Mr Juppé has said tomorrow's meeting will discuss ways of restoring confidence and growth to the economy.

With monetary policy and general interest rates in the hands of the Bank of France, the government is studying a series of possible micro-measures to boost the economy. These are understood to include allowing employees to take money out of employee-savings schemes to buy consumer durables, reducing the interest rate on government savings accounts, and pumping more public money into the building sector.

Mr Juppé has also put youth unemployment and reduction of working time on the "social summit" agenda. Mr Gandois said the Patronat believed that tomorrow's tripartite discussions could be useful in improving youth job schemes, but he strongly warned against any attempt by government to legislate on working time, which was already being negotiated between employers and unions.

During his election campaign, President Chirac ridiculed Socialist calls to reduce working time to open more slots for job-seekers, but the Juppé government now appears to look rather more favourably on the idea.

Union leaders have warned that if they fail to get satisfaction at tomorrow's meeting, the protest movement could flare up again. But an after-work demonstration yesterday evening against Mr Juppé's welfare plans attracted only a few thousand people in central Paris, mainly employees of Electricité de France, Gaz de France, France Télécom and Paris' RATP metro/bus system.

The need to catch up on maintenance and safety work still prevented a full service on the SNCF which had to halt its TGV service to Brussels because of a Belgian rail strike. Garbage workers in Bordeaux, of which Mr Juppé is mayor, also yesterday ended a strike of nearly three weeks.

Workers halt Bank of France job cuts

By Andrew Jack in Paris

Employees of the Bank of France yesterday disrupted a meeting scheduled to announce up to 800 job cuts, and forced the governor to agree to a three-month delay for further negotiations.

Unions at the bank, which operates independently from the French government, said more than 200 staff occupied a room where a works committee meeting was due to take place yesterday afternoon, interrupting discussions by chanting and playing musical instruments.

The action, out of keeping with the bank's reputation for calm monetary policy management, came after three weeks' of industrial action across the public sector and just a few days after it had twice lowered key interest rates in indications of confidence in the government's tough economic policies.

About 30 per cent of the bank's 17,000 staff went on strike for several days earlier this month as part of widespread protests against government plans to reform the social security system and reduce some "special regimes" for pensions, including the bank's own pension scheme.

Employees have also been expressing growing concerns about proposals to restructure the organisation to save costs. Mr Jean-Claude Trichet, the governor, has proposed cutting 800 jobs in the next three to four years in its banknote printing operations, as part of a plan to make the service competitive in the battle for future contracts including that for the single European currency.

In an echo of criticisms against prime minister Mr Alain Juppé's reforms, unions called yesterday for the withdrawal of the "Trichet plan" and argued that the governor had failed to consult or discuss alternative suggestions.

Kinnock passes test with flying colours

The EU transport commissioner won the best available deal on state aid for Iberia

By Emma Tucker in Brussels and Michael Skapinker in London

Neil Kinnock (left) and his officials believe their terms for permitting state aid to the ailing Spanish carrier have 'pared Iberia to the bone'. But privately owned airlines say the commissioner bowed to government pressure and fear he may do so again

If there is an unwritten rule about the awarding of state aid to European airlines, it is that even in a liberalised market, no national flag carrier will ever be allowed to go bust.

The European Commission – chief scrutineer of state aid – can lay down conditions, tighten restrictions and force the sale of assets, but it is under immense political pressure from the member states to support government efforts to keep ailing airlines alive.

In this sense, Mr Neil Kinnock, did not fail his first big test as transport commissioner in allowing the Spanish government to inject Pta87bn (£455m) into the state-owned Iberia airline. He got the best and tightest deal that could be expected within a club of 15 states, where pressure from "back home" is the order of the day.

The Spanish carrier received Pta43bn less than it asked for and the aid was only allowed after fairly dramatic steps had been taken. For example, Iberia had to sell a core business – Aerolineas Argentinas, a subsidiary that was draining it of $900m a year.

The airline has meanwhile frozen all salaries and made 3,000 workers redundant. Further, the Commission – advised by Deloitte, Touche and Ross – considered that the risk of investing in Iberia was such that the amount to be injected by the Spanish government had to be limited to what was strictly necessary for the basic functioning of the company.

A further Pta20bn of capital will only be unblocked in 1997 if Iberia can show that its risk rate has diminished. Iberia, advised by National Westminster bank, argued bitterly that the Commission had set the risk rate too high.

"We have made Iberia pare back to the bone," said an official.

For all these reasons the Commission has argued that Iberia's capital injection does not constitute a "state aid". Rather, it is an investment that can be justified on strict commercial grounds under what is known as the "market investor principle".

According to this principle – applied also in the case of Tele Danmark and and Klöckner Stahl, the German steel plant – the Commission allows a government to make an investment only after it is satisfied that a private investor would have been prepared to act in the same way.

All this, however, is of little comfort to Europe's private airlines, many of which feel let down by Mr Kinnock.

British Airways – itself a recipient of generous state aid in its time – said: "Mr Kinnock appeared initially to be going along the right rails, but it's sad to see him bow to Spanish political pressure."

When Mr Kinnock first took up his Brussels appointment, many in the privatised airline sector had high hopes that he would back their cause fully. They were impressed by the amount of reading on the aviation industry he had done in London before taking up his post and how well informed he appeared to be.

But last week, one industry observer said the Iberia announcement was a bad omen for the future. "Spain is not the toughest country in the EU. If you take a tilt at Spain and lose, what happens when you come up against Air France again?"

Last year the French government won approval from Brussels for a FFr20bn (£2.59bn) bail-out for Air France. At the time the French government promised the Commission that this would be the last time it asked for a government prop, but the airline is still struggling to recover.

Mr Chris Avery, an analyst at Paribas Capital Markets in London, said Mr Kinnock's announcement was bad news for Europe's privately owned airlines because other state carriers would now believe they could win approval for further infusions of government money.

There are no demands officially on the Commission's table, but there are rumours that Alitalia could be next with the begging bowl.

However, Mr Avery also pointed out that the system of allowing government cash injections into airlines was not as damaging to healthy carriers as the Chapter 11 bankruptcy protection system in the US.

In the US, he said, airlines in Chapter 11 could move their operations to a different part of the country and challenge competitors there. Cultural and language barriers make it difficult for European airlines to do this.

At least one of the most enthusiastic proponents of airline competition, British Midland, accepted that allowing Iberia to go bankrupt was a political impossibility. Mr Austin Reid, British Midland's managing director, said: "One has to be pragmatic and realistic about this.

"We believe state aid is an evil and a distortion of competition, but having seen how the European Commission works, at a certain point it gets taken out of the industry's hands and put in the political arena."

Mr Kinnock might well agree. But he would also point out that the conditions are getting stricter, the amounts awarded are getting smaller, and state airlines are increasingly looking to strategic alliances as a less painful way of ensuring their future.

Highly paid pilots almost sank rescue

By David White in Madrid

It was a near-miss for Iberia. It had to receive fresh capital by the year-end – with or without the Commission's permission – to avoid bankruptcy.

Its pilots, among the highest-paid in Europe and backed by a powerful union, made matters worse for the 68-year-old Spanish flag-carrier by launching a series of strikes last month. The airline's viability plan, agreed after tough negotiations a year ago, included pay cuts of 40 per cent according to the union. If the government was not coming up with the capital to back the plan, they wanted their money back.

Partly because of the strikes, Iberia is expected to show an increased loss of around Pta47bn (£248m) this year, after provisions to pay for job cuts, compared to Pta41.5bn in 1994. The aim is to break even next year.

After months of delays – Madrid had hoped for a decision by the end of the summer – the agreement reached with transport commissioner Mr Neil Kinnock was less than the Spanish sought but more than they feared. In 1992 Spain obtained permission to pump Pta120bn into the airline – on condition that it applied for no further state support before the end of 1996. But with Iberia weighed down by losses from investments in South America, Madrid sought to inject another Pta130bn, against objections from other international carriers and Spanish private-sector airlines.

It has obtained permission for up to Pta107bn – Pta87bn at first, with the possibility of up to Pta20bn more in 1997 depending on how Iberia performs, and how strictly it adheres to the plan, which includes cutting 3,500 jobs.

The Spanish government insists this is not "state aid" but a "market investment". Mr Juan Manuel Eguiagaray, industry minister said: "If there had been a group of private investors, we would not have spent a year negotiating with the European Commission. They would just have invested, with no further ado."

The money will be supplemented from the sale of South American holdings. Most of Iberia's 83 per cent stake in Aerolineas Argentinas and its 38 per cent stake in Ladeco of Chile are to be sold to a joint venture in which Iberia's parent, the state holding company Teneo, will have 40 per cent alongside US investment banks Merrill Lynch and Bankers Trust. This operation is set to yield Pta15-16bn in cash, with a similar amount due later.

The main uncertainty now is the pilots, whose dispute is now in the hands of mediators. The Teneo holding company has warned it will only provide the capital increase if the viability plan is respected.

هكذا من الاصل

Germans buy $1.1bn Hyundai ships

By John Burton in Seoul

Hyundai Heavy Industries, South Korea's largest shipbuilder, yesterday announced that it had received a total order of $1.1bn from two German shipping companies.

The German orders underscore the growing competition of Korean shipbuilders, with the European Union expressing concerns that a planned increase in their production capacity could eventually force European shipyards out of business.

Hyundai will build 15 container vessels for DSR-Senator and three container ships for Hanse Mare in an order equivalent to a fifth of total ship production in Korea next year.

Benefiting from lower wages and production costs than Japanese and European rivals, Korean shipbuilders are predicted to post a higher increase in sales growth next year compared with 1995.

Ship production is expected to climb by 17.6 per cent to $5.54bn in 1996, with almost all of that exported, against 4.4 per cent growth this year, according to the Korea Institute for Industrial Economics.

Sir Leon Brittan, the EU trade commissioner, recently criticised Korean shipyards for a rapid expansion of capacity, which is set to grow from 4m gross tonnes in 1990 to 9m gross tones by 2000.

"We do not believe that world demand for shipbuilding services is sufficient to meet the supply being provided by Korea," he said last month in Seoul.

He called for an end to indirect state subsidies to Korean shipbuilders and urged the Seoul government not to "bail out any company that finds itself in difficulties because it has overestimated demand."

Daewoo, Korea's second biggest shipbuilder, was rescued by emergency government loans in 1989 to avoid a threatened collapse caused by mounting losses. Officials then imposed a freeze on shipbuilding expansion until two years ago.

Seoul has promised not to give financial support or indirect subsidies to shipyards once it ratifies a multilateral shipbuilding agreement arranged by the Organisation for Economic Co-operation and Development.

But Korean shipyards still enjoy one financial advantage over European competitors because all of them belong to the country's largest industrial conglomerates, which can support them with funds from healthier sister companies in times of trouble.

Living with S Korea and subsidies

FT reporters on the external pressures and internal wrangles of European shipyards

When South Korea's Hyundai Heavy Industries said yesterday that it had been asked to build 18 ships for German companies, west European shipbuilders must have regarded the announcement as right on cue.

In between slanging matches among themselves over the rights and wrongs of state subsidies for their embattled industry, European shipyard owners have been warning that the Koreans were now the biggest threat to their existence.

Ever since the Japanese – 30 years ago – and the Koreans – 20 years ago – began to challenge the dominance of European shipbuilders, Europe's position has been steadily eroded, driving many of the biggest yards in countries such as the UK and Sweden to the wall.

It has also forced a long period of painful restructuring as yards have moved to raise productivity and target more specialised market segments.

Despite these efforts, west European yards' share of global orders has continued to fall.

The main beneficiary has been South Korea which has been aiming to double shipbuilding capacity between 1990 and the year 2000 and is so determined to win orders that some of its "newbuilding" prices have fallen below the levels at which many European yards can make a profit. Clarkson Research in London says average newbuilding prices fell 15 per cent between 1992 and 1994 before partly recovering in early 1995.

"The Koreans are aiming to overtake the Japanese and become the leading shipbuilding country in the world. But the expansion is absurd when it is perfectly obvious that the market cannot stand it," says Mr Nick Granger, director of the UK Shipbuilders and Shiprepairers Association.

The heavy losses suffered by a range of European yards – including Burmeister & Wain and Danyard in Denmark and Germany's Bremer Vulkan – tell the story. Danyard has been told it will get no more new capital from its owner, Lauritzen Holding. Burmeister & Wain is set to close after 152 years, partly because it specialised in the series construction of bulk carriers in direct competition with South Korean yards.

And South Korean competition for orders for tankers and dry bulk ships helps to explain why the Belfast yard Harland & Wolff has switched its marketing emphasis towards specialist vessels for the oil industry.

Kvaerner of Norway, Europe's leading shipbuilder, has so far managed to avoid many of the difficulties, partly because it has concentrated on high value added and technically sophisticated vessels – such as cruise ships, chemical tankers and liquefied natural gas ships – where there is less Korean competition.

Meanwhile a delay of up to nine months in the phasing out of state aid to European Union shipbuilders has prompted fears among northern yards that unfair support for yards in southern Europe will damage them further.

Shipbuilders in the UK, Norway and Denmark complain that southern yards, particularly those in Spain and Italy, have benefited from unduly generous support regimes. Greece meanwhile faces a legal challenge from the European Commission to its subsidies to one of its larger shipyards.

"Northern European yards have suffered the most outrageous competition from Spanish yards," said the UK's Mr Granger.

"We want to squeeze subsidy out of the system and make it transparent. But that will not happen as long as there are countries which maintain their yards for strategic reasons even if there is no good economic case."

EU ministers voted last month to delay ratification of an international accord to end subsidies until other main signatories to the pact – the US, Japan and South Korea – had fulfilled their part of the bargain.

Subsidies were to have been phased out from January under an agreement reached last year within the Organisation for Economic Co-operation and Development. But EU ministers have extended until October a special regime allowing state hand-outs of up to 9 per cent of the value of the contract.

Mr William Farquhar, chairman of the British Boatbuilders' Association, calculated that Spanish yards quote prices between 25 and 30 per cent lower than can his members. Five orders from Scottish buyers which would have normally been placed with Scottish yards recently went to Spain, he added.

The problem for the northern yards is that while they believe the practices of the southern countries go against the spirit of competition rules they are often not illegal.

Spain, for example, is accused of paying shipbuilding aid and, in addition, support intended for depressed regions, amounting to a significant part of building costs.

Employees of insolvent Spanish yards which have been given court protection from their creditors are paid wage subsidies to maintain employment. But if an insolvent yard in this position wins an order, the wage subsidies are maintained so that the yard only has to pay a small amount to top up wages, said Mr Granger.

The Spanish shipbuilders deny that they are providing unfair subsidies and point out that they were anyway exempt of the deadline for phasing out subsidy which applied to most other EU countries.

Under the 1994 OECD agreement, Spain, Portugal and Belgium obtained extra leeway for state support to restructure their industries. In the Spanish and Portuguese case, this gives them until the end of 1998.

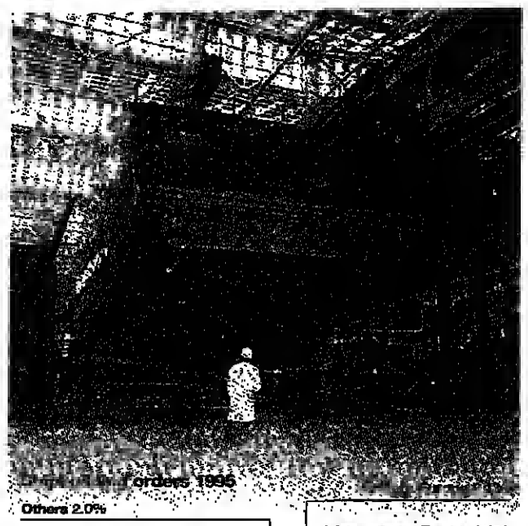
In the interim, the state-owned yards – mainly attached to the Astilleros Españoles group – have remained consistently in the red, accumulating losses of more than $3bn. The yards say they have often only been able to secure contracts by bidding below cost rates to compete.

Italy is less of a problem, according to the northern shipbuilders, because it is rationalising its shipbuilding activities. But a survey carried out in September 1994 of European shipyard subsidies for the UK trade department found that while no country had filed data more recently than 1991 Italy had not presented any information more recent than 1989.

Fincantieri, Italy's state-controlled shipbuilder, rejects charges that illegal or hidden subsidies are helping it to improve its order-book and increase profits, at the expense of northern shipyards. "The situation is crystal clear," the company said. "We have been receiving simply the aid allowed by the European Union."

Greece's four large shipyards do not compete head-on with northern European shipbuilders as they focus mainly on conversion and repair work. But subsidies provided to one company, Hellenic Shipyards, have prompted legal action by the European Commission against Greece. Efforts to find a private buyer for the yard, the largest in the east Mediterranean collapsed in September.

Reporting by Christopher Brown-Humes in Stockholm, Charles Batchelor in London, Andrew Hill in Milan, David White in Madrid and Kerin Hope in Athens



Source: Clarkson Research Studies

Honda to build new minivan in Ontario

By Bernard Simon in Toronto

Honda, the Japanese carmaker, plans to expand its assembly plant at Alliston, Ontario, for production of a new minivan for the North American market.

A decisive factor in the choice of the Ontario plant, located 80 km north of Toronto, has been Canada's willingness to eliminate customs duties on imports of automotive parts when an existing duty drawback programme ends on December 31.

Honda and the Canadian government were due to announce their decisions late yesterday.

Honda is expected to spend close to C$400m (US$291m) on the expansion, which will boost production by at least 50,000 vehicles a year.

The plant at present produces about 100,000 Honda Civic cars a year, of which 90 per cent are exported to the US.

Honda currently sells a Japanese-built minivan, known as the Odyssey, in North America.

The new model is expected to be bigger than the Odyssey, pitting it directly against minivans produced by GM, Ford and Chrysler, the big three North American carmakers.

Under local-content provisions of the North American free trade agreement, Canada is barred from extending the duty drawback beyond the end of this year.

The programme provides for carmakers to claim a refund of duties on imported parts which are used in vehicles made in Canada, and then exported to the US.

The duties, if they applied, would add about C$250 to the manufacturer's price of each vehicle.

However, Ottawa is understood to have turned down Honda's request for concessions to replace duty "remissions" which also run out at the end of the year. Under the remission programme, a carmaker can cut the dutiable value of imported vehicles in proportion to parts exported from Canada to the company's overseas assembly plants.

The big three North American carmakers inhibited against any reduction in the vehicle tariff, presently 9.2 per cent. Ottawa was also concerned that any concessions to Japanese companies would have to be extended to European carmakers. However, the government is understood to have told Honda that the rules may be modified later.

WORLD TRADE NEWS DIGEST

Successor to Cocom agreed

The successor to Cocom, the cold war-era export-monitoring organisation, is to be formally inaugurated in April in Vienna, the site of the new body's secretariat.

Negotiators from 28 countries, including former cold war adversaries such as Russia and the US, reached agreement on principles and the location of the secretariat yesterday in Wassenaar, the diplomatic suburb of The Hague, after two days of talks.

The new body, to be called the Wassenaar Arrangement, will be aimed against countries deemed a threat to their neighbours or regions. Diplomats said this meant Iraq, Iran, North Korea and Libya. By contrast, Paris-based Cocom, the Co-ordinating Committee for Multilateral Export Controls, was designed to stop the flow of arms to the Soviet bloc and other Communist countries.

The body will have two pillars, one for conventional arms and the other for dual-use goods and technologies that could serve a military as well as a civilian purpose. The 28 countries will exchange information about their foreign sales of certain arms and dual-use exports. *Ronald van de Krol, The Hague*

French deadline in telecom row

France Telecom Mobile International, the mobile telephone arm of the French state-owned telecom group, has given the Polish government until December 31 to resolve a dispute over a promised GSM digital operators' licence. The threat comes days after Ameritech International of the US, FTMI's partner in a mobile phone venture in Poland, confirmed it had set in train arbitration proceedings against Warsaw.

Both companies accuse the Polish authorities of reneging on a promise to award their joint venture, Centertel, a GSM digital mobile telephone operating licence. FTMI and Ameritech paid $75m for the licence in 1991, when the pledge was made. The venture also includes TP, the Polish state telecom company. *Christopher Bobinski, Warsaw*

Philips to axe S Africa plant

Philips, the consumer electronics group, has become the latest casualty of South Africa's moves to reduce protective tariffs on television sets in line with the General Agreement on Tariffs and Trade. The group is to close its television assembly plant in Johannesburg in early 1996.

On October 1, the Board of Tariffs and Trade reduced the duty on television imports from 60 per cent to 40 per cent. This would be brought into line with the Gatt level of 25 per cent within two years.

The South African television market is growing at 15-20 per cent annually, with estimated sales of 450,000 this year. But there is about 100 per cent overcapacity and increasing illegal imports. *Mark Ashurst, Johannesburg*

Iveco steps up Chinese link

Iveco, the commercial vehicle subsidiary of Fiat of Italy, is to step up its collaboration with Nanjing Auto Work, the Chinese van manufacturer, investing $200m in a new joint venture.

The new company aims to produce 60,000 light Iveco Daily vans and 75,000 diesel engines at Nanking by 1998, with 100 per cent local content.

The two companies have been working together for nine years through an agreement on technology sharing and technical assistance. Each company will have a half-share in the joint venture. *Andrew Hill, Milan*

■ Michelin, the French tyre maker, yesterday said it was setting up its first factory in China. Under an agreement with the town of Shen Yang, north-east China, the French group will take a 90 per cent stake in a new tyre company. Total Michelin investment is $30m. *John Ridding, Paris*

Refinery deal for Europe group

A European consortium has won the contract to build a $1bn joint-venture Israeli-Egyptian oil refinery in Alexandria, Egypt. In addition, the Middle East Oil Refineries, which is the largest Arab-Israeli joint venture, announced yesterday that the European Investment Bank has finalised a $300m loan for the project.

Technipetrol of Italy and Technip of France are the lead contractors for the building of Egypt's first privately-owned refinery in Egypt; Spain's Tecnicas Reunidas is a big sub-contractor.

The 100,000 b/d refinery will produce mainly "environmentally friendly" fuels to be marketed to Israel, Egypt and the eastern Mediterranean. The plant should begin operations by 1999. *Mark Dennis, Jerusalem*

PUBLIC NOTICES

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

■ UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	13.5	8.3	6.49	7.67	3.43
1987	11.6	6.6	6.82	8.39	3.12
1988	4.2	5.2	7.65	8.84	3.61
1989	1.0	4.0	8.99	8.50	3.43
1990	3.6	5.3	8.06	8.55	3.60
1991	6.0	3.2	5.87	7.86	3.21
1992	12.4	2.1	3.75	7.00	2.95
1993	11.6	1.3	3.22	5.86	2.78
1994	6.2	1.9	4.67	7.08	2.86
4th qtr.1994	2.4	1.1	5.66	7.83	2.91
1st qtr.1995	1.0	1.1	6.18	7.47	2.86
2nd qtr.1995	0.1	1.7	6.03	6.60	2.68
3rd qtr.1995	–0.8	3.4	5.79	5.32	2.53
December 1994	1.7	0.9	6.26	7.81	2.86
January 1995	1.5	1.1	6.23	7.77	2.92
February	0.9	1.1	6.16	7.46	2.85
March	0.6	1.0	6.15	7.20	2.81
April	0.6	1.1	6.12	7.05	2.74
May	–0.0	1.5	6.05	6.63	2.68
June	–0.3	2.6	5.94	6.16	2.61
July	–0.6	2.8	5.80	6.26	2.55
August	–0.8	3.6	5.82	6.50	2.55
September	–1.0	4.0	5.74	6.19	2.48
October	–1.3	4.0	5.81	6.04	2.46
November	–1.3	4.2	5.74	5.93	2.42

■ JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	8.2	5.12	5.36	0.84
1987	10.5	11.5	4.15	4.64	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.8	5.31	5.16	0.48
1990	2.6	8.5	7.62	6.90	0.65
1991	5.2	2.0	7.21	6.40	0.75
1992	4.5	–0.4	4.28	5.24	1.00
1993	3.0	1.4	2.83	4.18	0.97
1994	5.4	2.9	2.12	4.20	0.78
4th qtr.1994	5.5	2.9	2.23	4.60	0.78
1st qtr.1995	5.0	3.6	2.15	4.38	0.86
2nd qtr.1995	6.1	3.3	1.23	3.27	0.93
3rd qtr.1995	8.6	2.8	0.86	3.05	0.96
December 1994	4.9	2.9	2.24	4.53	0.79
January 1995	5.5	3.2	2.23	4.60	0.80
February	4.9	3.7	2.20	4.52	0.85
March	4.5	3.6	2.04	4.06	0.92
April	5.6	3.2	1.37	3.52	0.92
May	5.9	3.3	1.24	3.35	0.91
June	7.0	3.3	1.09	2.96	0.96
July	7.2	2.9	0.80	2.91	0.91
August	8.6	2.9	0.71	3.25	0.85
September	9.9	2.8	0.46	2.97	0.82
October	13.3	2.8	0.41	2.89	0.83
November			0.44	2.86	0.63

■ GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	10.0	8.7	4.64	5.90	1.79
1987	9.0	7.3	4.03	6.14	2.21
1988	9.7	6.4	4.34	6.46	2.81
1989	6.3	5.7	7.12	6.90	2.22
1990	4.5	4.5	8.49	8.66	2.11
1991	5.1	5.6	9.25	8.42	2.38
1992	7.0	8.2	9.52	7.79	2.45
1993	9.4	7.9	7.28	6.47	2.11
1994	9.6	9.0	5.36	6.84	1.78
4th qtr.1994	6.7	5.9	5.29	7.51	1.83
1st qtr.1995	3.8	0.3	5.11	7.41	1.90
2nd qtr.1995	2.8	–1.1	4.50	6.87	2.09
3rd qtr.1995	3.3	–0.7	4.41	6.88	1.98
December 1994	5.1	4.1	5.40	7.45	1.83
January 1995	3.8	1.4	5.16	7.58	1.85
February	4.3	0.1	5.10	7.40	1.83
March	3.3	–0.5	5.07	7.25	2.00
April	2.5	–1.2	4.68	7.07	2.12
May	3.7	–1.3	4.59	6.85	2.10
June	2.3	–0.7	4.53	6.70	2.05
July	2.9	–1.2	4.36	6.79	2.01
August	3.3	–0.6	4.46	6.71	1.97
September	3.5	–0.1	4.19	6.56	1.96
October	4.0	–0.1	4.09	6.55	2.04
November			4.01	6.32	2.04

■ FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	6.4	7.79	8.36	2.65
1987	4.1	11.5	8.63	9.46	2.75
1988	3.9	6.3	7.94	9.08	3.89
1989	7.5	10.0	9.40	8.79	2.88
1990	3.8	8.3	10.32	9.92	3.19
1991	–1.9	2.4	9.62	9.03	3.58
1992	–0.2	5.4	10.36	8.57	3.55
1993	1.8	–3.0	8.55	6.75	3.21
1994	2.9	1.9	5.84	7.21	2.98
4th qtr.1994	2.9	1.9	5.74	8.10	3.10
1st qtr.1995	–0.6	3.0	6.65	8.07	3.22
2nd qtr.1995	1.3	4.5	7.47	7.38	3.10
3rd qtr.1995	3.1	5.0	6.12	7.35	3.11
December 1994	2.9	1.9	5.97	8.01	3.06
January 1995	0.7	2.8	5.92	8.19	3.20
February	0.9	3.3	5.83	7.99	3.21
March	–0.6	3.0	6.07	8.01	3.26
April	–0.0	3.4	7.78	7.80	3.11
May	1.8	4.2	7.48	7.54	3.05
June	1.3	4.5	7.18	7.45	3.14
July	0.5	4.2	6.44	7.42	3.09
August	1.2	5.1	5.96	7.30	3.06
September	3.1	5.0	5.96	7.34	3.19
October	0.7	3.3	6.87	7.47	3.31
November			5.90	7.06	3.20

■ ITALY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	10.5	8.4	13.25	11.47	1.41
1987	10.4	9.5	11.32	10.58	1.94
1988	7.8	8.5	11.24	10.54	2.71
1989	7.1	9.3	12.42	11.61	2.46
1990	8.3	10.1	11.98	11.87	2.64
1991	7.3	8.5	11.83	13.20	3.45
1992	8.7	7.7	13.86	13.29	3.63
1993	4.6	7.4	10.22	11.23	2.35
1994	6.8	5.1	8.48	10.56	1.67
4th qtr.1994	3.6	1.8	8.83	12.12	1.75
1st qtr.1995	1.1	0.0	9.70	12.79	1.70
2nd qtr.1995	–0.5	–0.5	10.69	12.71	1.76
3rd qtr.1995	–0.3	0.4	10.52	11.79	1.64
December 1994	3.2	1.7	9.03	12.22	1.80
January 1995	0.6	0.0	9.05	12.40	1.68
February	1.8	0.2	8.98	12.41	1.64
March	0.8	–0.1	10.96	13.48	1.79
April	–0.6	–0.8	10.64	13.44	1.72
May	0.1	–0.2	10.41	12.37	1.68
June	–0.8	–0.3	10.85	12.41	1.88
July	–0.9	–0.4	10.88	12.23	1.75
August	–0.3	0.4	10.44	11.67	1.58
September	0.3	1.3	10.26	11.49	1.81
October	0.4	1.8	10.62	11.94	1.76
November			10.52	11.64	1.81

■ UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	4.0	15.4	11.02	10.21	4.35
1987	4.7	15.2	9.77	9.69	3.60
1988	6.8	17.3	10.41	9.62	4.48
1989	5.9	17.6	13.98	10.11	4.36
1990	5.3	18.1	14.62	11.55	5.07
1991	2.4	7.9	11.56	10.08	4.97
1992	2.4	5.1	8.73	9.09	4.81
1993	4.8	3.5	5.99	7.40	4.01
1994	6.4	5.0	5.57	8.01	3.94
4th qtr.1994	7.1	4.4	8.18	8.60	4.17
1st qtr.1995	6.6	4.9	6.73	8.60	4.28
2nd qtr.1995	6.0	6.3	6.76	8.19	4.21
3rd qtr.1995	5.8	8.1	6.87	8.09	4.08
December 1994	8.9	4.6	6.46	8.53	4.23
January 1995	6.6	4.6	6.64	8.66	4.23
February	8.1	4.7	6.80	8.60	4.24
March	7.0	5.5	8.74	8.54	4.36
April	6.3	5.6	8.76	8.38	4.27
May	5.9	6.4	8.79	8.13	4.19
June	5.7	6.8	8.73	8.09	4.17
July	5.7	8.0	8.89	8.23	4.11
August	8.1	6.3	6.86	8.10	4.07
September	5.5	8.1	6.83	7.92	4.06
October	5.2	8.7	6.81	8.09	4.05
November	5.6		6.73	7.76	4.05

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Pibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Seoul MPs in move against ex-presidents

By John Burton in Seoul

The South Korean parliament yesterday agreed legislation that would allow the prosecution of two former presidents for their leading roles in a 1979 military coup and the subsequent massacre of pro-democracy protesters.

Ex-presidents Chun Doo-hwan and Roh Tae-woo could be tried on sedition charges, which carry a possible death sentence. Bnt even some of their harshest political critics suggest they should receive a presidential pardon if convicted.

The legislation reflects an effort by President Kim Young-sam, the country's first civilian leader in three decades, to break ties with the previous military governments and purge their supporters.

The new law would suspend the 15-year statute of limitations that would have prevented the former presidents from being prosecuted on charges concerning the military massacre of at least 200 demonstrators in the south-western city of Kwangju in 1980.

The statute of limitations was considered invalid since Presidents Chun and Roh ruled Korea between 1980 and 1993, effectively blocking any examination of the case.

Mr Chun was arrested earlier this month for his leadership of the 1979 army coup, which carries no statute of limitations since it is considered a treasonous act.

The former president, 63, is now in the 17th day of a hunger strike in protest at his arrest and may be soon moved to a hospital as his health deteriorates. Drinking only water, he can scarcely walk and is confined to his prison cell bed.

Mr Roh was arrested a month ago on unrelated corruption charges and went on trial on Monday for alleged bribery.

The legislation, backed by all of the country's political parties except the conservative United Liberal Democrats, would strip soldiers involved in the Kwangju massacre of military medals and citations for their actions. The soldiers were decorated for suppressing a "communist insurrection".

The government will also push for official memorials to commemorate the event and allow those convicted for opposing the military to have their records cleared in special court appeals.

Representative office is the first requirement for foreign banks

Burma to allow joint ventures in banking

By Chit Tun in Rangoon and Ted Bardacke in Bangkok

The Burmese government is to allow foreign banks which have opened representative offices to set up joint ventures with private Burmese banks.

Foreign banks must provide at least 35 per cent of the equity capital in the joint venture banks bnt there is no upper limit on foreign participation and the exact ratio would be subject to negotiation between foreign and local partners, Brig Gen Win Tin, the finance minister, said in a speech carried by the official media yesterday.

The move, which one foreign banker said had been under consideration for at least a year, is the second important financial reform Burma has put in place since an International Monetary Fund team set up a technical monitoring programme for Burma. Under it, the government would have to implement a set of recommendations in order to be eligible to apply for renewed funding.

The finance minister said that foreign banks must first open a representative office in Rangoon, the capital, in order to form a joint venture with a Burmese private bank.

Twenty-two foreign banks, including Banque Indosuez, Bank of Commerce Malaysia, Banque Nationale de Paris, Hongkong and Shanghai Banking Corporation, and Standard Chartered Bank, already have representative offices in Rangoon. Nine more foreign banks have been issued licences to open such offices.

Since Burma's first round of financial reforms in 1992, 15 private Burmese banks have been established: 13 in Rangoon and one each in Mandalay and Taunggyi, capital of the Shan state. All these banks are available for joint ventures with foreign banks, the finance minister said.

The joint-venture banks will be allowed to take deposits in local and foreign currencies but any overseas transfers will still have to be done through the government-owned Foreign Trade Bank.

The minister said the joint venture banks will continue to exist even after existing representative offices of foreign banks have been allowed to convert into branches.

No time frame for such a conversion was given but Mr Kyi Aye, the central bank governor, said in interview earlier this year that the government wanted to give local banks "a number of years to develop" before allowing wholly-owned foreign banks to compete on equal footing.

Earlier this month the government allowed private companies and citizens legally to exchange the local currency, the kyat, at the market rate of about 125 to the US dollar as opposed to the official rate of 6 kyat to the US dollar.

The government still maintains strict controls over capital outflows.

Japan to liquidate 7 housing loan groups

By Our Foreign Staff and Agencies in Tokyo

The Japanese cabinet last night endorsed a scheme to liquidate seven troubled housing loan companies, in a move which will involve the unpopular use of at least Y685bn ($4.3bn) in public funds.

The scheme was crafted as a compromise aimed at reconciling two warring creditor groups – the big banks which founded the mortgage lenders, and the agricultural co-operatives which are the biggest creditors of the debt-laden institutions.

The government has been anxious to secure a consensus, and Mr Masayoshi Takemura, finance minister, said the decision "was struck as a result of agonising talks among the concerned parties". Previous proposals to resolve the problem have foundered amid arguments over how much of the burden each should share.

Officials said a vehicle would be created to take over the debts and loans of the seven housing lenders, liquidation of which is expected to cause losses reaching some Y6,415bn.

Mr Takemura acknowledged this figure may swell. "In that case, some fiscal steps would become necessary," he said, implying a possible further dip into government coffers.

Under the plan agreed last night, the founding banks would give up all their claims to the seven mortgage lenders, totalling Y3,500bn. Other creditor banks will be asked to abandon Y1,700bn in claims. Both these groups would put up capital and low-interest loans for the new vehicle.

The farm co-ops will have to give Y530bn to the new entity, the officials added. Mr Nozomu Kunishige of Kleinwort Benson in Tokyo said: "Agricultural co-operatives with a lot of lobbying power were favoured and financially strong banks made to bear more of the burden."

The contributions leave Y685bn to be found by the government from its general account funds under the 1996 budget, due to be finalised today. Japanese public opinion has become increasingly hostile to the use of public money to bail out financial institutions which have become overstretched following often imprudent lending in the "bubble" years of the late 1980s.

Anticipating this, Mr Takemura said he felt obliged to offer an apology. "I feel sorry for the latest decision to use the Japanese people's money," he said ahead of the late-night cabinet meeting.

At a midnight press conference, Mr Tomiichi Murayama, the prime minister, pledged that to gain public acceptance of the scheme, his government would thoroughly investigate how the housing lenders got into the trouble in the first place.

Hong Kong burning to know Beijing's choice for top job

Simon Holberton assesses the chances of the three most likely candidates to be leader after 1997

It took a mainland Chinese to do it, but the warning sounded late last week by Mr Larry Yung, chairman of the Hong Kong operations of China International Trust and Investment, was a timely reminder about the dangers of Chinese interference in the colony after it reverts to mainland control in 18 months.

Mr Yung, who warned that Chinese interference after 1997 could "kill Hong Kong" as a business centre, chose his time well. A man with his connections in Beijing – his father is China's vice-president – must have known that by the spring of next year China's leaders will have informally chosen the person to occupy the post of chief executive, as the post-1997 governor will be styled.

Responsibility will fall to this individual to stand up to the central government and to provincial Communist party bosses when Hong Kong's interests are being sacrificed to mainland expediency.

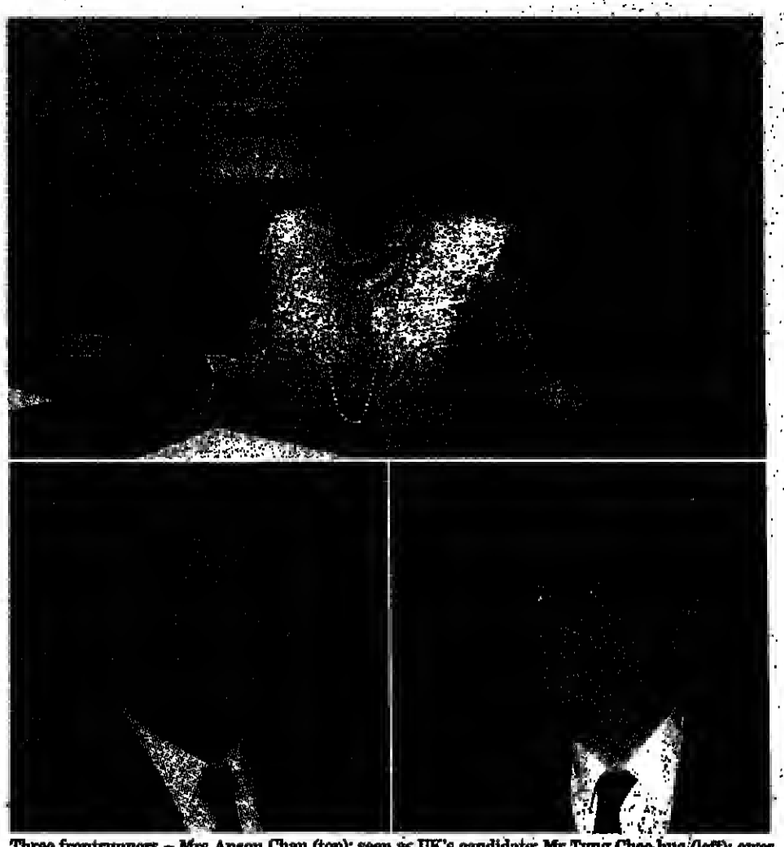
Hong Kong is alive with speculation about who Beijing will choose for this sensitive job. Will it be a relic of the colonial past such as Sir S Y Chung, the 78-year old former British adviser, or a "dark horse".

Throughout the chatter, three names recur: Mrs Anson Chan, currently Hong Kong's top civil servant; shipping tycoon Mr Tung Chee-hua, an avuncular patrician who is at home in both the western and the Chinese worlds; and Mr Lo Tak-shing, a Balliol-educated lawyer, no less patrician than Mr Tung and to some the most likely candidate of all.

The decision facing the leadership in Beijing is difficult because the chief executive of Hong Kong will occupy one the most sensitive jobs in Chinese politics. If Hong Kong were a mainland city its mayor would be a trusted, senior member of the Communist party. None of the three candidates is believed to be a party member, or has known China's leaders for much more than a decade.

The job will also be testing for its first incumbent. China plans to undo many of the reforms of Hong Kong's law and politics made by Mr Chris Patten and his predecessors as governor. China's leaders will want someone able to take these decisions unflinchingly. "The single most important requirement for the chief executive is loyalty," says Mr John Burns, professor of Chinese politics at Hong Kong university. "That's the most important criterion; after that comes credibility in Hong Kong."

Mrs Chan's practical qualifications for the job are second to none. Her knowledge of government is without peer, she is widely respected in the civil service and the business community, both of which groups support her candidacy, and she has an impressive family background. But her greatest disability is that she is openly anti-Communist, and is seen as Britain's candidate.



Three frontrunners – Mrs Anson Chan (top): seen as UK's candidate; Mr Tung Chee-hua (left): owes a lot to China; Mr Lo Tak-shing: willing to show loyalty to Beijing and seen as strongest contender

"There's no change of sovereignty with Anson," noted one seasoned political observer.

China has indicated to British officials that Beijing would consider keeping Mrs Chan in her current job. Both London and Beijing could present such as move as a victory for "continuity", but it is questionable whether Mrs Chan would stay on if she was not given the top job.

That may well depend on the outcome of the contest between Mr Tung and Mr Lo, with a greater chance of her staying if Mr Tung wins.

Like Mrs Chan, Mr Tung is a leading member of Hong Kong's "Shanghai faction", as the local Cantonese refer to the wealthy Shanghainese who fled to Hong Kong after the Communist takeover in 1949 and prospered under the British flag.

He is a member of Mr Patten's Executive Council, or cabinet, which he joined in 1992 with the implicit approval of Beijing. Mr Tung is also a member of the Chinese People's Political Consultative Conference, an advisory group to the Communist party, and owes a lot to China. When Overseas Orient, his shipping company, was on its knees in the mid-1980s, China pumped an estimated $100m (£68m) into the company.

Moreover, in what was seen as an endorsement of Mr Tung, Mr Li Ka-shing, the wealthy Hong Kong businessman, recently lifted his objection to a candidate from the business world becoming chief executive.

No such misgivings arise over the candidacy of Mr Lo Tak-shing, who already meets one requirement of the job: he is a Chinese passport holder. Insiders say he is the strongest candidate for the post; Beijing's only concern is whether he is too clever to be controllable.

Mr Lo has long experience of government in Hong Kong dating back to the 1960s when the colonial talent spotters identified him as an up-and-coming lawyer. He was appointed to the Legislative Council, which makes Hong Kong's laws, and the Executive Council, which advises the governor on policy.

He broke with the British over the 1984 Sino-British Joint Declaration, believing the UK had sold out Hong Kong and should have given a passport to those born under the British flag. By the end of the 1980s he was firmly in Beijing's camp and willing to demonstrate his loyalty to the central government.

As chief executive Mr Lo would have few qualms about denying a place in local politics to Mr Martin Lee, chairman of the Democratic party, and others of his political stripe. One China adviser recalls him saying of the Democrats: "You say these people have support. If we kick them out, how many people will march in the streets?"

Mr Lo's long career in Hong Kong public life has brought him into contact with many civil servants. He is particularly close to Mr Michael Suen, secretary for home affairs, and the man thought most likely to succeed Mrs Chan. Observers believe that a Lo/Suen administration would be hard, but effective.

ASIA-PACIFIC NEWS DIGEST

Cambodia sends prince into exile

The Cambodian government is close to ending a messy and embarrassing political and family affair, as Prince Norodom Sirivudh, secretary-general of one of the country's two ruling parties, was released yesterday into the custody of his half-brother King Norodom Sihanouk in preparation for being sent into exile.

Prince Sirivudh is expected to leave for France by the end of the year. He was jailed last month for allegedly plotting to murder Mr Hun Sen, who as co-prime minister shares power with Prince Sirivudh's nephew, Prince Norodom Ranariddh, leader of the royalist Funcinpec party. Prince Sirivudh, an elected MP and former foreign minister, is the number two official in Funcinpec.

He will become the second member of the Cambodian royal family to be exiled recently; Prince Norodom Chakrapong was sent packing in 1994 after a failed coup attempt.

The prince's case was generating more bad publicity for a government recently battered internationally by reports of its human rights violations and political intolerance. Nearly half of the Cambodian government budget comes from foreign aid and some donors have been privately warning that further aid could be in jeopardy if the situation in Cambodia continues to deteriorate. *Ted Bardacke, Bangkok*

Japan outlines jobs policy

The Japanese government yesterday warned that structural changes were harming the country's labour market and it adopted a new medium-term programme aimed at forestalling an expected rise in the nation's level of unemployment. The programme, which covers the period to the end of fiscal 2000, recognises the significant structural changes in Japan's labour market and calls for wide-ranging measures to soften their negative impact.

Japan's unemployment rate, which hit a record 3.2 per cent in October, is forecast to rise to 3.75 per cent if the deregulation and structural adjustment measures adopted by the government fail to produce results. The government warns that the continuing shift of manufacturing overseas and greater corporate efficiency arising from the spread of information technology could increase unemployment, particularly among older workers. The programme calls for measures to create jobs in emerging industries, facilitate labour mobility and support individual efforts among workers to develop job skills. *Michiyo Nakamoto, Tokyo*

Foreign banks assailed in Hanoi

Vietnam's central bank, the State Bank, yesterday criticised an unspecified number of foreign banks based in the country for allegedly violating foreign exchange rules and maintaining bad loans. In an annual address to the foreign banking community in Hanoi, a State Bank official claimed some banks had "compiled inaccurate and false reports" and that "misaccounting" had blocked supervision of the banks by the State Bank.

He singled out two joint venture banks and a foreign bank branch for allegedly having bad loans on their books, adding that this showed "the fact that to some extent the consideration of loan applications was not careful enough".

Vietnam has licensed 19 foreign bank branches and 67 representative offices since it opened up the sector to foreigners in 1992. *Jeremy Grant, London*

China clamps down on reporter

Beijing has stripped a German journalist of his right to work in China in a gesture of de facto expulsion that German diplomats said yesterday was a reprisal for his unflattering portrayal of Premier Li Peng. Officials told Mr Henrik Bork of the Frankfurter Rundschau his work permit and visa would not be renewed after expiry on December 27 and alleged that his reporting was "aggressive, biased and attacked people and personalities". Mr Bork, 34, based in China since January 1992, had been warned formally after labelling Mr Li a "dictator" in a story published on the eve of Mr Li's visit to Germany in July 1994, Germany's Beijing embassy said. *Reuter, Beijing*

■ Japan's main money supply measure grew 3.5 per cent in the year to November, the fastest for five months. The Bank of Japan's preliminary estimate of growth in M2 plus certificates of deposit for last month was a marked upturn from a revised 2.7 per cent growth in October. *William Dawkins, Tokyo*

■ A controversial privatisation bill was passed in the Sri Lankan parliament yesterday by a majority of 104 votes. One government MP joined the main opposition United National party in abstaining in the vote on the Public Enterprises Reform Commission Bill. *Kyodo, Colombo*

OECD sees tiny cut in unemployment

Growth this year has been weaker than expected. **Gillian Tett** on the group's latest half-early report

OECD OCDE

Although world growth is forecast to pick up next year, this will have only a slight impact on jobless rates, the Organisation for Economic and Co-operation and Development said yesterday.

Unemployment is even forecast to rise slightly in Japan and the US next year and remain flat in Germany, according to the OECD's forecasts.

This warning came as the OECD, which acts as a think tank for 26 of the world's industrialised nations, issued its latest half-yearly outlook.

The Paris-based group denies that there is any danger of a world recession, even though the possibility has been discussed by some private sector economists.

In spite of the recent dip in growth in many countries, the OECD insists fundamentals remain relatively strong. It expects to see growth pick up in most parts of the world next year, amid a healthy climate of low inflation. But it admitted that growth this year had been weaker than it had expected.

Consequently it reduced a range of its forecasts, both for this year and next. In the case of Germany, it admitted that its own forecasts made even as recently as November were too optimistic.

The 1995 growth projection for Japan, for example, has been reduced to 0.3 per cent, down from the OECD's original estimate of 1.3 per cent made in November last year.

The Japanese economy is expected to pick up next year, partly as a result of the recent monetary loosening and stabilisation of the yen – although the growth rate is expected to be a fairly modest 2 per cent.

> The group denies there is any danger of a world recession, though the possibility has been discussed by private sector economists

and the organisation admits that this could still be derailed if the yen strengthens again.

Conversely, if the yen falls to Y115 per dollar, compared to the current expected rate of Y103.7, growth could be 2.8 per cent next year.

These hints of a slightly weaker picture in Asia have also affected the regional "tigers": growth in the dynamic Asian economies is now projected to fall from this year's rate of 7.8 per cent expansion to 7 per cent in 1996 and 6.4 per cent in 1997.

With imports in the US expected to slow, world trade is also projected to expand less rapidly next year: after growing by 10.4 per cent this year, the trade of manufactured goods is expected to grow by 8.5 per cent next.

This slower pace may affect European trade patterns, with net exports not expected to make any contribution next year.

Nevertheless, rising consumer expenditure and business investment is still expected to push the growth rate higher, particularly if Germany rebounds.

The one economy which has escaped a down grade in its growth forecast for the current period is the US.

Although the OECD says it overestimated growth in the first half of the year, it now believes that it has underestimated it in the second half. As businesses finally shake off the impact of excess stocks, growth is expected to be fairly steady – albeit far from dazzling – next year.

Some private sector economists would still consider these forecasts are over optimistic.

The organisation acknowledged that the pick-up in growth was partly dependent on the world avoiding the type of currency turmoil seen earlier this year – together with improving confidence.

As Mr Kumiharu Shigehara, OECD chief economist said: "The economic fundamentals are good. But the crucial question is whether these will be reflected in business and consumer confidence. An improvement in confidence is now crucial."

This confidence is unlikely to be boosted by the labour markets: the OECD projects that overall unemployment will only decline from 7.8 per cent this year to 7.7 per cent next across the OECD region.

However, the steady price

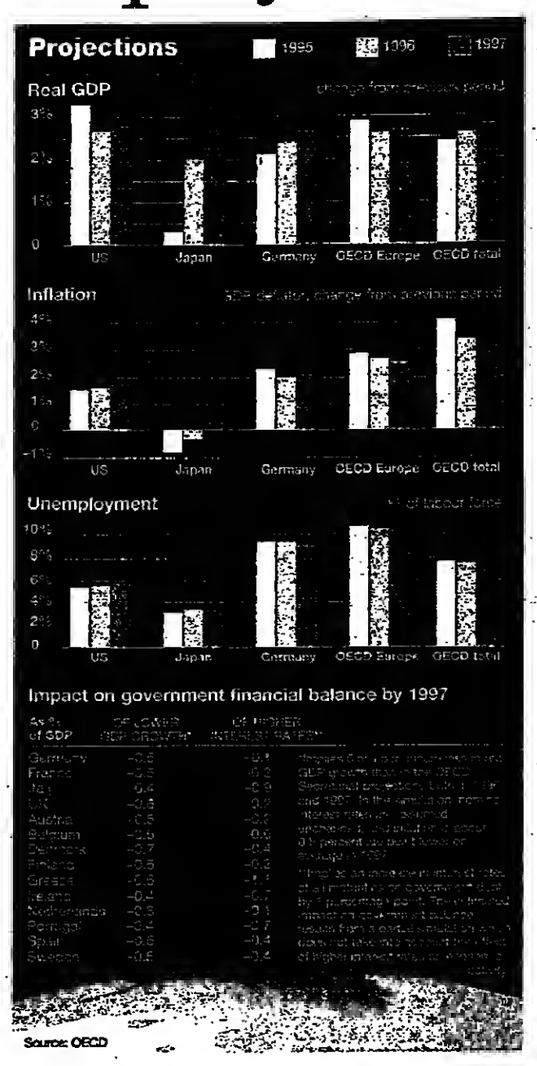
> Despite the recent dip in growth in many countries, the OECD expects growth to pick up in most parts of the world next year

growth might help sentiment. Inflation is projected to remain relatively low in most regions of the world.

Even China is expected to see some easing of price growth next year, even though overall growth in gross domestic product is expected to be slightly stronger.

But slower growth may make it even harder for some countries to address one of the OECD's longest standing pleas – the need for governments to reduce the budget deficits. Japan, for example, is singled out as one place is urgent need of action.

See Editorial Comment



Source: OECD

Kuwait awarded first investment grade rating

By Roula Khalaf in London

Kuwait was yesterday assigned an investment grade rating by IBCA, the London-based rating agency, in the first sovereign rating for any Gulf state.

Middle Eastern countries have traditionally shied away from sovereign ratings, particularly in the Gulf, where they are regarded as interference in the countries' internal affairs. Only Jordan and Tunisia have been assigned ratings by international agencies.

Kuwait has no plans to tap international markets but the long term A rating can be used as a ceiling by Kuwaiti banks and corporate issuers borrowing overseas.

Kuwait has $3.9bn of public external debt, most of which is the remainder of a $5.5bn syndicated loan.

Although there is little short-term prospect of oil prices rising and IBCA expects the Kuwaiti economy to register a negative 0.6 per cent growth this year and a negative 0.2 per cent in 1996, the agency bases its confidence in Kuwait's ability to repay debts on two main factors.

The first is the security provided by more than 96bn barrels of proven oil reserves, which make up 9.5 per cent of the world total.

The second is the public sector's overseas asset position, which dwindled from $100bn before the Gulf war to an estimated $35bn today.

However IBCA says that it remains strong enough to allow Kuwait to continue servicing potential obligations even in the event of another invasion.

IBCA assumes that Kuwait is committed to fiscal discipline to trim a nagging budget deficit.

This, however, requires politically sensitive measures such as raising taxes from a pampered population and trimming the public sector, which employs 93 per cent of working Kuwaiti nationals.

IBCA estimates that the adjusted 1994 deficit of 15.7 per cent should shrink to 8 per cent this year and 7 per cent next year.

OBITUARY: KONRAD ZUSE

German pioneer of computer age

Konrad Zuse, who has died in Hünfeld, Germany, at the age of 85, was a pioneer of the modern computer age and is credited with developing the first working computer, Alan Cane reports.

His Z3 and Z4 machines were electro-mechanical rather than electronic, but were used extensively during the second world war by the German aircraft industry. The Z4 computer was used to develop a flying bomb carried by an aircraft and guided by radio.

Zuse's machines, therefore, predata Eniac, developed by John Mauchly and Presper Eckert, the US engineers, at the University of Pennsylvania, and popularly believed to be the first working computer.

Born in Berlin in 1910, Zuse was educated at Berlin University before joining the Henschel aircraft company. He developed the unsuccessful Z1 in 1938; the operational Z3 was completed in 1941.

A convinced Nazi, he went into hiding after the war, emerging for interrogation only in 1948. By that time, western computer specialists were following different design philosophies.

He started his own small company in 1950 which was eventually absorbed into Siemens, Germany's largest electrical and electronics concern.

Labour inflexibility 'could hit functioning of Emu'

The inflexible nature of Europe's labour markets could provide a significant obstacle to the functioning of a single currency in the future, the OECD said yesterday, writes Gillian Tett.

Unresolved issues of how countries inside and outside a union will relate to each other threaten to undermine the credibility of the project in the eyes of financial markets. Concerns on monetary union could even hold back the rate of European growth by pushing up long term interest rates in some countries, it said.

The comments in the OECD's half-yearly outlook came as the organisation steps up analysis of likely implications of any future currency union, prompted by requests from members.

It welcomes the fiscal and budgetary prudence created by the drive to a single currency.

"Irrespective of the Maastricht process, deficit reduction is urgently needed in several European countries to reduce risk premia on interest rates viz-à-viz Germany and help to reduce interest rates across Europe," it says. "Indeed, in this broader perspective the Maastricht general government deficit ceiling of 3 per cent is not enough."

However, under current projections only four – the UK, Germany, France and Luxembourg – are likely to qualify according to a strict interpretation of the Maastricht guidelines. If growth slows, cutting budget deficits could become even harder: a lower growth rate of 0.5 percentage points could push up government deficits as a proportion of GDP by between 0.4 and 0.7 percentage points in different European countries.

Limiting currency union to a small group would be undesirable, the OECD says. "Arrangements effective in dampening large currency swings would be essential to avoid undermining the proper functioning of the European single market. These arrangements have not been determined," the report warns.

But the factor which arguably presents most concern is the question of how a single currency would operate given relative inflexibility of Europe's labour markets and economies more generally. Until now any regional shocks have largely been absorbed through currency swings, but with single currency, the only way to absorb any local shocks will be through labour markets.

Holbrooke set for return to Wall St

By Quentin Peel in London and Patti Waldmeir in Washington

Mr Richard Holbrooke, the chief architect of the Bosnian peace agreement, is expected to return to Wall Street as an investment banker, after yesterday announcing his intention to resign from the US State Department.

His sudden departure, which will take effect early next year, will deprive the peace process of the man most closely associated with its success.

He was the architect of the Dayton peace deal negotiated by the leaders of Bosnia, Croatia and Serbia last month, and signed last week in Paris.

Mr Holbrooke has made little secret in recent months of his desire to return to Wall Street, where he was an investment banker with Lehman Brothers before joining the Clinton administration in 1993.

His staff also expect him to write a book on his negotiating experiences.

Speaking before the US Senate appropriations sub-committee on foreign operations yesterday, however, he insisted that the handover process would be "orderly". Mr John Kornblum, a career diplomat, will be his successor.

Mr Holbrooke, who was assistant secretary of state for European affairs, stressed that the reasons for his resignation were purely personal.

He had often spoken of returning to New York to spend more time with his new wife, author Kati Marton, who lives there with her children from a former marriage.

"I am not walking away. I will leave with total support for this administration, and the policies which I was part of," he told the *Washington Post* by telephone from New York. He added that his wife, whom he married only last May, complained that he "was spending more time with Haris Silajdzic [the Bosnian prime minister] than with her".

Mr Holbrooke is understood to have told President Bill Clinton of his intention to resign while the two men were returning on the presidential aircraft from last week's Paris ceremony where the Bosnian peace accord was signed.

Mr Holbrooke played a big role in engineering that deal, through four months of intense shuttle diplomacy in the region and in Europe, and by the sheer force of his uncompromising personality.

After serving as US ambassador to Germany from 1993-94, Mr Holbrooke was appointed assistant secretary of state for European affairs, and became in effect chief US negotiator in former Yugoslavia last August. At that point, the Bosnian problem seemed all but insoluble, and the diplomatic effort to bring peace to the region was flagging.

The US negotiator helped crack one of the toughest foreign policy problems of the post-Cold War era.

But the personal characteristics which made him an effective negotiator also made him unpopular with his colleagues. Mr Holbrooke is tough and fiercely ambitious. Colleagues complain he is "incapable of being in a room which he doesn't dominate". He uses the media audaciously, even inviting a crew from the ABC network's Nightline programme to shadow him and Balkan negotiators during a sensitive part of the peace process.

But it is Mr Holbrooke's singlemindedness – and his aggression – which most interlocutors remember. As one administration official told *Newsweek* magazine during the Bosnian peace talks, "the best incentive for all parties to sign is, it reduces the number of hours they will have to spend with Dick Holbrooke".

Few US diplomats believe that Mr Holbrooke's departure from government will be permanent. He has never hidden his ambition to hold a senior foreign policy post such as secretary of state or national security adviser.

Mr Holbrooke joined Lehman Brothers in 1985. He was a managing director in investment banking, involved in both US and international deals.

Chrétien faces more criticism over Quebec

By Bernard Simon in Toronto

Disquiet is mounting in Canadian political circles over Prime Minister Jean Chrétien's handling of the Quebec secessionist threat

Mr Chrétien's position as leader of the ruling Liberal party appears to be secure, but some caucus members and senior officials have expressed concern about the lack of imaginative initiatives to head off the separatists.

Opposition parties have also become increasingly strident in their criticism of Mr Chrétien. Mr Jean Charest, leader of the Progressive Conservative party, accused the prime minister earlier this week of "improvisation" since Quebec secessionists came within a whisker of winning an independence referendum.

Mr Daniel Johnson, the embattled leader of the Quebec Liberal party, also assailed Mr Chrétien's strategy during the referendum campaign.

Mr Chrétien has brushed off the criticism. He said in a year-end television interview that whatever he does, "will never be enough for everybody... Canada is [in] a perpetual crisis. It's a very difficult country to run, and these regional forces are always there."

The prime minister promised in the closing days of the referendum campaign, when the federalist forces were in a state of near-panic, to meet two long-standing Quebec demands, namely, formal recognition of the province as a "distinct society" and a veto over future changes in the Canadian constitution.

The government has moved quickly to implement these promises. However, they have not only failed to placate the separatists, but have also opened a can of worms in the rest of the country.

The government earlier this month abruptly amended the veto legislation to give a veto to British Columbia, the most westerly province and an increasingly influential member of the federation.

Federalists are especially concerned that Mr Lucien Bouchard, the popular Quebec separatist leader, might catch them out by calling an election shortly after he takes over as Quebec premier in the New Year.

Mr Bouchard has indicated that he will give higher priority to the French-speaking province's serious fiscal problems than to another independence referendum.

Mr Chrétien's critics have suggested that the government should draw up a clear negotiating strategy with Quebec, which would spell out Ottawa's attitude on such issues as Quebec's use of the Canadian dollar and its membership of the North American free trade agreement.

Argentina still suffers from the tequila effect

Exports may not be enough to power the economy out of its downturn, writes **David Pilling**

It was with an almost casual air that Argentine officials admitted earlier this month what the man on the Buenos Aires omnibus had long known: the economy had shrunk sharply in 1995. The economy ministry now concedes that gross domestic product fell by 2.5 per cent this year, worse than all but the grimmest private forecasts.

"The government has long been denying the severity of the recession," says Mr Pedro Lacoste, head of the Alpha economic consultancy. As long ago as April, when economy minister Mr Domingo Cavallo was still predicting at least 3 per cent growth, Alpha said the economy was heading for a 1-point drop.

Mr Cavallo was looking at the supply side, says Mr Lacoste, expecting that investments during the previous year would provide buoyancy in 1995 despite the shock Mexican devaluation. In the crisis of confidence that followed, Argentina suffered a credit crunch as $8bn in bank deposits – about 15 per cent of the financial system – fled the country. "When you focused on the dynamics of aggregate demand it became clear there was going to be a severe recession," he says.

Mr Domingo Stamati, chief economist of Banco Rio, agrees that Mr Cavallo got it wrong. "Cavallo tried to return to 1994. He hoped that foreign capital would come back to boost consumption and tax revenues." But capital stayed away, consumer demand dropped sharply and tax revenue fell short of expectations. This opened up a hole in the fiscal accounts that could only be filled with the help of a $7bn rescue package led by the International Monetary Fund.

"Fundamentally, what the Tequila effect taught us is that you can't finance current account deficits indefinitely," says Mr Stamati. The era of growth fuelled by a foreign-financed consumer boom is over, and expansion must come from domestic savings and exports, he says.

In 1995, exports rose by about 30 per cent, as weak domestic demand encouraged producers to divert goods abroad. Argentina was also fortunate that commodity prices were high and Brazil, its main trading partner, was undergoing a consumer boom. The combined effect was to turn a $5.8bn trade shortfall into a surplus of about $1.6bn, while reducing the current account deficit from 3.6 per cent of GDP in 1994 to around 1 per cent a year later.

But exports, at only 7.5 per cent of GDP, are not enough to push economic growth. Neither are domestic savings high enough, despite their rise from 14 per cent in 1991 to about 19 per cent. Nevertheless, Mr Ricardo López Murphy, chief economist at think tank FIEL, says: "Our vulnerability, the need we have for foreign savings, is lower than in the past."

It was perhaps no coincidence that the government admitted the depth of recession on the day it issued a raft of more favourable statistics. These demonstrated, said Mr Juan Llach, planning secretary at the economy ministry, "that the recession has clearly come to an end".

In October, industrial production rose 1.4 per cent on the previous month, while imports increased and demand grew for public services. "The liquidity shock that triggered the recession is almost over," says Mr Lacoste, pointing to the fact that 90 per cent of fleeing bank deposits have now returned. "But the economy is still fighting the dynamic of recession itself," he warns.

Few economists discount the possibility of a recessionary spiral, with deflation dragging activity further. But most believe the economy will break the cycle and grow by a modest 2-3 per cent in 1996. Few, though, agree with the government's optimistic forecast of 5 per cent growth, on which the 1996 budget is based.

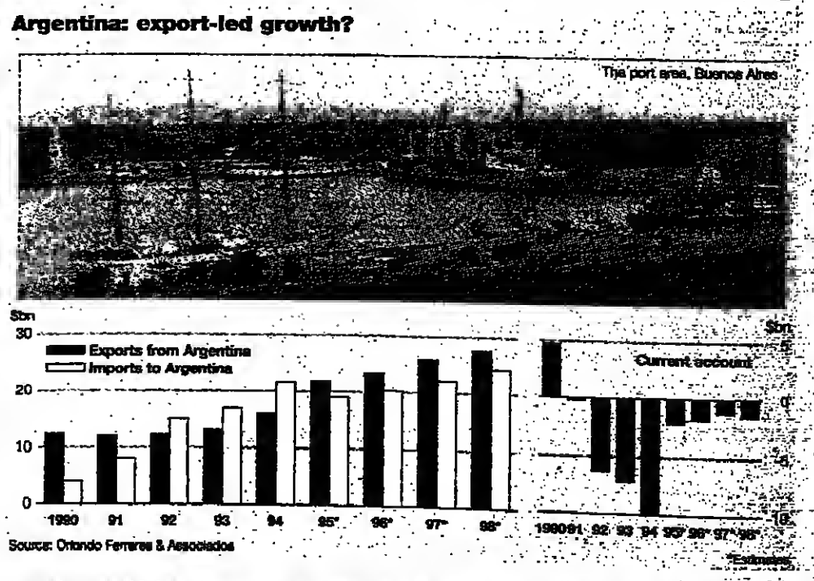
If the economy fails to rebound as quickly as hoped, budgetary targets for next year could be hard to meet. Particularly tough will be the task of raising tax receipts by 15 per cent, especially if consumption – on which 70 per cent of Argentina's tax revenue depends – is as sluggish as many analysts expect.

Mr Fernando Navajas, also of FIEL, says there is only likely be a "slow recuperation" of tax revenue and warns that the "fiscal situation will need constant monitoring". The battle to reduce expenditure, he says, will need to be waged at federal and provincial level.

Despite concern about the fiscal gap, Mr Lacoste says Argentina should find it easy to finance what he believes will be a deficit of about 1.0-1.2 per cent of GDP next year. The difficulty could come in 1997, he says, when Argentina's debt-servicing requirements will rise by about $2bn as Bocon bonds begin to mature. At the same time, privatisation revenue of about $2bn a year will dry up.

"The medium-term challenge is to set a tax structure that is less dependent on the economic cycle," says Mr Lacoste. The current structure, skewed towards consumption, makes revenue very dependent on domestic demand.

Argentina: export-led growth?



Source: Orlando Ferreres & Asociados

Mr López Murphy goes further, saying the administration should cut spending in order to build up a primary surplus. "In the past four years, Argentina went on a spending spree. People felt richer than they were. That was a big mistake of government policy," he says. This year's low growth and high unemployment – a record 18.6 per cent – have made Argentines more realistic, he says.

That future, Mr López Murphy believes, could entail 20 years of steady growth, but not the spectacular progress once promised by Mr Cavallo. The task of achieving sustainable expansion will become much easier in two or three years, he says, when the recently established private pension fund system will have amassed about $10bn in potential investment capital.

In the meantime, Mr López Murphy concedes that Argentina remains vulnerable in 1996 to another external shock. His main concern is that Brazil, on which Argentina's improving export performance so depends, is not yet assured of long-term stability.

"The economy is exhausted," he says. "We had to make a big effort to stick to the rules in 1995. We are not ready to withstand another shock."

Tories defeated on EU fish policy

The fragile unity in the governing Conservative party over European Union policy was shattered last night when the government lost a vote on the Common Fisheries Policy of the union, our Westminster staff writes.

The government lost by two votes on a "take note" motion which has no direct impact on policy. But it is nonetheless highly embarrassing for ministers following their attempts to win with a mixture of inducements and threats aimed at MPs with fishing constituencies. Immediately after the defeat, Mr Douglas Hogg, the agriculture and fisheries minister, faced Labour jeers when he announced that the government would give "due weight" to the vote at the EU fisheries council meeting tomorrow.

The Commons defeat came as tempers flared among Tory Eurosceptic MPs over the recent decision by the prime minister not to rule out sterling's membership of a single European currency for the lifetime of the next parliament.

Last night's was the first government defeat since Mr John Major put himself up for re-election as party leader last June in an attempt to end the Tories' civil war over EU policy. His government was dogged for the first part of the year by infighting over the EU, but it hoped that with a general election nearing a truce had occurred. The last possible date for an election is June 1997.

The government received a further blow yesterday when Mr David Ashby, a Tory MP, lost his libel case against a newspaper over an article suggesting he is homosexual and a liar. There were strong indications yesterday that Mr Ashby, the MP for North West Leicestershire, is unable to meet the full costs of the case, estimated at £500,000 ($770,000).

MPs are disqualified from sitting in the House of Commons if they are declared bankrupt. But the government can ill afford a by-election at the moment and risk its technical majority falling to one.

Mr Tony Baldry, fisheries minister, spent yesterday in private talks with Tory MPs from fishing constituencies, and came up with a range of financial sweeteners. He promised to restore the £2m-a-year National Harbour Grant scheme, and to reinstate a separate scheme to promote fish marketing and processing, also worth £2m annually. Both schemes were axed in last month's Budget.

Mr Baldry also announced that the Spanish government had agreed to pay £100,000 in compensation for damage caused to Cornish drift nets during the so-called "tuna wars" of summer 1994.

But in the Commons, Eurosceptic MPs demanded Britain's withdrawal from the Common Fisheries Policy.

Railway privatisation Labour party says buyer of SW Trains is 'ruthlessly anti-competitive'

First franchise is won by biggest bus company

By Charles Batchelor, Transport Correspondent and George Parker

The government's rail privatisation programme took an important step forward yesterday with the sale of the first three passenger train franchises.

South West Trains was sold on a seven-year franchise to Stagecoach, Britain's largest bus company, while the Great Western and London, Tilbury and Southend (LTS) companies were sold to their management/employee teams. The busiest Great Western lines run from London to Bath, Bristol and South Wales while LTS runs commuter trains to the east of London. Negotiations on all three sales were delayed as the government fought off a last-minute legal challenge by Save our Railways, an anti-privatisation group.

Mr Brian Wilson, the opposition Labour party's chief transport spokesman, said it was "particularly ironic that the first franchise [is] going to a ruthlessly anti-competitive company." Stagecoach's bus operations have been the subject of more than 20 competition investigations.

But Mr Roger Salmon, franchising director, said that rail, unlike buses, was tightly regulated. Mr Brian Souter, Stagecoach chairman, said that while the company had been criticised for its behaviour towards competitors there had never been complaints about its treatment of customers.

Sir George Young, transport secretary, described the South West Trains sale "as the most important announcement for passengers since privatisation started two to three years ago". He added: "It will not be long before franchising is seen as a success."

Stagecoach chairman Brian Souter (left) accepts the first rail franchise to be sold under the government's privatisation programme from Roger Salmon, director of franchising

A delegation of seven Conservative MPs who met Sir George yesterday said they were greatly reassured by the promise of improvements to services from the first franchises.

Stagecoach is expected to take over SWT's operations early next year. It will acquire a company operating suburban and long-distance services to 200 stations in south west London and southern England.

It promised to maintain present service levels and to improve station security and passenger information. It also plans to introduce bus services linking with its trains.

Under its present management, which put in an unsuccessful bid to acquire the franchise, SWT made a pre-tax loss of £300,000 on turnover of £245m in the year ended March 1995. But Mr Keith Cochrane, Stagecoach financial controller, said SWT would make an increasing contribution to Stagecoach profits over the next few years.

Fear of higher fares unfounded, says director

By Our Transport Correspondent

Stagecoach has no plans to reduce services or to bump up fares on the 53 per cent of ticket sales which are not covered by price controls, said Mr Brian Cox, the company's director in charge of rail operations. "We are looking to increase volumes and you don't do that if you hike your fares," he explained.

The company's acquisition means that it will handle most trains which leave Waterloo station in London and will run trains on the busy main line to the south coast port of Southampton as well as to the south-western cities of Salisbury and Exeter. It will also run several busy London commuter lines to places such as Hampton Court and Windsor.

Mr Richard Hannah, transport analyst at UBS, Stagecoach's broker, forecast a 1 per cent annual increase in passenger numbers over the next few years and a 2 per cent annual rise in average passenger fares.

Stagecoach has a three-part programme to boost passenger numbers. It plans to spend £3m ($4.6m) over the next four years on improving security at stations, in addition to the current annual £2.5m spend on station maintenance. This will involve improved lighting and the use of closed-circuit TV cameras.

There are no plans to increase the numbers of staff at stations – overall staff numbers are expected to fall – but Stagecoach will be concentrating on improving facilities at stations the London suburbs, where conditions have deteriorated in recent years.

It also intends to improve the quality of information available to passengers. A common complaint in the early stages of privatisation was that rail companies were refusing to tell passengers about competing services. Mr Cox said the company would provide timetable information on its own and competing train and bus services at all stations.

Stagecoach has set itself higher Passenger's Charter targets covering punctuality and reliability. It has set itself a target of 92 per cent of suburban trains and 89 per cent of mainline services arriving on time or within five minutes – both increases of 2 percentage points. Reliability targets will also be increased by 1 per cent to 99 per cent.

While it is true that Stagecoach has no experience of running train services, the core skills it will transfer from its bus operations are in the scheduling of services and fare collection, said Mr Brian Souter, the company's chairman.

Minister chides regulator for accepting GTech flight

THE NATIONAL LOTTERY

Opposition parties expressed dismay last night at the government's decision to retain Mr Peter Davis as regulator of the national lottery, John Kampfner and Raymond Snoddy write. Mr Davis survived even though he ignored advice not to accept free flights from GTech, the US company which is a member of the Camelot consortium which operates the UK lottery.

Mrs Virginia Bottomley, minister responsible for the lottery, said she made clear during a meeting with Mr Davis yesterday that his acceptance of flights from GTech had not been wise. She said his close contacts with Camelot, which were inevitable for the job of director-general of the office of lottery regulation (Oflot), made it all the more important that Mr Davis should maintain a proper distance "and be seen to do so, taking all steps to guard against any possible misunderstanding of your actions".

Mrs Bottomley said there never had been any doubt about Mr Davis's integrity. Senior officials described yesterday's 30-minute meeting as cordial. "She was not censorious with him, but she wanted him to know that in her view he had displayed a certain lack of wisdom," an official said.

In a public letter to Mr Davis, Mrs Bottomley made clear she had sought and obtained assurances that if any occasion arose which could lead to a potential conflict of interest "you will seek guidance from my department and inform it of the decision you take as how to proceed".

Officials said Mrs Bottomley was working from the assumption that Mr Davis had revealed all that there was to reveal, and that she would reconsider if any more information came to light.

Labour MP Mr Alan Williams said Mrs Bottomley should have made a full statement to the House of Commons instead of "putting this out furtively on the eve of the parliamentary recess". He added: "She's treated the Commons with the same arrogance and contempt with which the regulator has treated her department."

Mr Davis is paid £84,000 a year and is on a five-year renewable contract which started in October 1993.

Lawyer faces jail for stealing $7.7m

By John Mason, Law Courts Correspondent

A lawyer who stole £5m ($7.7m) from his clients, left his partners ruined and the Law Society picking up the largest compensation bill in its history, now faces a jail sentence of up to seven years.

In October this year, Mr Gerald Ford, the founder of solicitors Durnsford Ford in Hastings, southern England, admitted 10 charges of stealing money from clients who had hired the firm to carry out probate work.

Yesterday, a fellow partner with the law firm, Mr William Bew, was convicted at Maidstone Crown Court on four counts of furnishing false information over the probate accounts. Both men will be sentenced tomorrow.

Mr Ford admitted stealing £5m from over 1,000 clients by billing them excessive amounts, the court was told. Bills charged amounted to an average of 90 per cent of the value of the estate. In some cases, he billed them for more than the estate was worth. The average solicitor's charge for such cases is about 1.5 per cent of the value of the estate.

Mr Ford admitted the theft of £5m of clients' money. However, the total amount paid out by the Law Society's compensation fund was £7m – the largest sum ever met by the solicitors' self-regulatory body. The theft has angered solicitors throughout the UK who now face increased professional indemnity insurance premiums. The Law Society has compensated the immediate victims of Mr Ford's thefts.

Johnson Matthey speeds up transformation

Tim Burt on the diversified group's plans for expanding its electronic materials arm

Johnson Matthey has drawn up plans to accelerate its transformation from a precious metals and engineering technology group by spending up to $200m on its fast-growing electronic materials arm.

The company, which is best known as the world's largest gold refiner and a pioneer of catalytic converters, has authorised the five-year investment as part of its drive to develop its presence in the computer components market.

Further expansion of its semiconductor operations follows the $170m acquisition in September of Advanced Circuits Inc (ACI), the US manufacturer of semiconductor components and multi-layered printed circuit boards.

Mr Chris Clark, managing director of the group's materials technology division, said the move would exploit the growing demand for microprocessor components.

"We need to get away from our dependence on precious metals and we're sure that, going forward, Johnson Matthey will be dominated by electronic materials."

David Davies: points out advantages

According to the company's estimates, the value of its computer components could grow from an estimated $3.05 per microprocessing package to $80 per package by 2001.

The market for such units, it claims, is also set to grow from about $170m to almost $2.5bn by the turn of the century.

Most of that growth will be centred on ACI and its recently acquired subsidiary Acist, which makes advanced printed circuit boards.

Some analysts, however, have questioned the ACI acquisition, suggesting that competitors would move rapidly to squeeze its market share and copy its technology.

Mr David Davies, chairman and chief executive, plays down those concerns and claims ACI has two advantages over rivals. First, it is not Japanese and can therefore rely on some preferential sentiment from US manufacturers such as Intel. Second, the Acist subsidiary enjoys relatively high barriers to entry in making plastics laminate packages for semiconductor chips.

Even so, the benefits of the acquisition will take time to feed through, while falling contributions from the catalytics systems division has persuaded some analysts to reduce profit forecasts for this year from about £110m to nearer £100m. Gearing, meanwhile, could increase next year to about 40 per cent as the group builds up its investment in ACI.

Mr Davies justifies the investment – put at £60m a year – saying that electronic materials promises to be the fastest growing part of Johnson Matthey in the coming years.

"We felt we had to widen our base in this area, and I think Acist could prove to be a pearl."

The group, which says it remains committed to precious metals and catalytic systems, is seeking a 20 per cent return on net assets from its latest subsidiary within two years.

In the meantime, it is also looking for sustained profits growth from Cookson Matthey Ceramics, its colour printing and tiling joint venture with Cookson Group.

"Johnson Matthey must concentrate on high value added and high technology businesses – we realise that electronic materials and the Cookson venture will be the most exciting parts of the company for some time to come."

Closer scrutiny of farm cash urged

By Alison Maitland in London

Britain's government watchdog is urging closer scrutiny of agricultural fraud in the European Union.

The National Audit Office says today that the UK reported £8.7m ($13.3m) in overpayments due to fraud or error on Common Agricultural Policy support schemes last year, up from £4.5m in 1992.

Most of these schemes are administered by the Intervention Board, a government executive agency.

The NAO says the board complies with European Commission requirements in implementing the subsidy schemes and takes appropriate action to recover overpayments. Schemes include export refunds on commodities such as beef and milk, purchase and storage of surpluses and payments to farmers to produce certain crops.

But the NAO says the board should consider giving greater publicity to its control and anti-fraud activity "to demonstrate further the seriousness with which it treats irregularity and to act as a deterrent".

Mounting evidence of fraud in the EU, especially relating to the CAP, has fuelled calls by the UK government and consumer organisations for further reform of agricultural policy.

Between 1991 and 1993, only 23 of 367 suspected fraud cases were identified by external sources such as traders or the public.

The NAO notes approvingly that the Intervention Board introduced a free anti-fraud telephone service in November last year which had received 263 calls by the end of September.

It recommends that the board identify recurring errors so as to target schemes or traders prone to misaccounting or fraud. Identification could be aided by collecting information on the value and causes of errors uncovered during the board's clerical checks of traders' claims for payment.

Seven schemes, four relating to the dairy sector, accounted for 96 per cent of potential overpayments identified by checks on premises in 1993. "The high error levels found on some schemes suggests that verification activity should be targeted on them."

The timing of checks on premises should also be less predictable, the report says.

The Intervention Board has recently prosecuted several farmers for failing to declare sales of milk over and above their quota allocation under the CAP.

Other cases highlighted in the report include a market stall trader who sold cans of intervention beef intended for charitable use, and the theft by a processing company of intervention beef for export and its substitution with lower quality cuts from South America.

UK NEWS DIGEST

N Ireland murder underlines threat to peace process

The British government held talks with Northern Ireland's two most significant party leaders yesterday as a shooting of a Roman Catholic in Belfast increased concerns about the fragility of the ceasefires. Sir Patrick Mayhew, chief Northern Ireland minister in the British government, issued a strong statement condemning Monday night's killing of Mr Francis Collins, a former republican prisoner. Local politicians blamed it on the IRA, but Sir Patrick was careful not to apportion blame.

Sir Patrick later joined Mr John Major, the British prime minister, for talks with Mr David Trimble, leader of the pro-British Ulster Unionist party. He also met Mr Gerry Adams, president of the nationalist Sinn Féin party, the political wing of the Irish Republican Army. Sir Patrick's discussions in Belfast with Mr Adams were the first meeting under the recently launched twin-track strategy, which also involves a three-man international body looking into the "decommissioning" of paramilitary arms.

The murder, which police believe may be drug-related, will be seen by the British government as further vindication of its cautious attitude to the issue of decommissioning and will bolster its case that the paramilitaries must make some movement on the decommissioning of their weapons before all-party talks about the constitutional future of Northern Ireland. The shooting, in Belfast's hardline republican New Lodge area, is the fourth supposedly drug-related murder blamed on the IRA since the ceasefires by it and its pro-British rivals 15 months ago. *John Murray Brown in Dublin and John Kampfner of Westminster*

US group wins computer deal

The Ministry of Defence has awarded a five-year "partnership" contract to EDS, the US computer services group, to provide information technology services to the British Army's Logistic Information Systems Agency (Lisa). The agency, which employs about 400 government officials and military personnel, provides IT systems services and support to the Army to help it better identify parts, locate stores and keep equipment operational. Under the terms of the contract, the first of its type awarded by the ministry, 150 civilian posts will be transfered to EDS and any profits from using the facilities will be shared by EDS and the agency. *George Parker and Paul Taylor*

N Sea investment agreed

Barmac, the joint venture which operates the Nigg fabrication yard in Scotland, is to embark on an $8bn investment programme that could create up to 800 new jobs. Brown & Root and J. Ray McDermott, the two partners, say the new investment will allow them to prepare the Nigg facility for a changing North Sea market. The company wants to concentrate on the growing demand for floating production systems that are often based on converted tankers, and the emerging market to decommission existing offshore platforms. *Robert Corzine, Industrial Staff*

Mobile phone operator attacked

Cellnet, the mobile phone operator in which British Telecommunications has a majority stake, is being attacked for anti-competitive behaviour by a group of mobile phone companies. The companies are independent service providers which manage the relationship between the customer and the network operators – Cellnet among them – providing billing and other services. They say Cellnet's marketing practices threaten their future.

They are amassing evidence for a complaint to Mr Don Cruickshank, the telecoms regulator. Cellnet yesterday rejected their arguments as damaging, misleading and inaccurate. Service providers were introduced in the early 1980s to promote competition as the portable telephony market developed in the UK. They may be independent or owned totally or partly by operators. Mr David Savage, chairman of the service provider Astec, said there was a variety of anti-competitive practices which operators could adopt to favour their own, wholly owned service providers against independents such as Astec. *Alan Cane, Industrial Staff*

Nuclear site to expand

Work is to start in the new year on a $550m plant at the Sellafield nuclear reprocessing complex in north-west England. It will turn liquid intermediate waste stored at the site into dry material, said British Nuclear Fuels, a state owned company. The plant, which will use a new process developed by BNFL, will employ between 100 and 200 people when it becomes operational in the year 2002.

The purpose of the new plant is partly to clean up the 600-acre Sellafield site, where some of the intermediate waste earmarked for treatment at the new Drypac plant has been stored in tanks and ponds for the 20 years. *Chris Tighe, Newcastle upon Tyne*

Sowing seed by satellite

Farmers could save 15 to 20 per cent in production costs by more accurately targeting applications of seeds and herbicides, according to the results of trials using yield mapping technology by Massey Ferguson, the UK-based agricultural equipment supplier.

The company's equipment, which uses space satellites to track tractors in the field, has been tested at Shuttleworth College Farms in Bedfordshire since 1992.

Brian Welti, farm manager, explains that once maps have been produced showing the most fertile parts of the land, applications of seeds, fertilisers and herbicides can be targeted more accurately.

Tractors are fitted with global positioning equipment which picks up satellite signals. The signals, combined with data about crop yields, allow navigational satellites to indicate the more productive areas of a field, and seed applications are adjusted automatically.

Initial results from this year's harvest show that seed costs in the trial fields were cut by £22 per hectare and herbicide costs by £10 per hectare. The same savings repeated over the whole 240ha arable sector of the farm would have produced total savings of around £14,000.

The yield mapping equipment draws up a map showing which parts of the field produce the most grain – this can be affected, for instance, by changing soil types. Welti stresses that maps must be produced over several years to iron out aberrations before farmers can change their applications of seeds.

Britain is at the forefront of yield mapping technology, but trials are in the very early stages. The Danish Agricultural Advisory Centre is also conducting tests on similar precision farming methods. Trials on four farms have shown improvements in cereal growing profitability of between £20 and £40 per hectare.

Deborah Hargreaves

Cash from compliance

Titanium dioxide makers have found ways to turn a liability into an opportunity, writes **Motoko Rich**

Alan Pedder is sanguine about the failure of a £250m investment to make a return.

As chief executive of Tioxide, the world's second-largest producer of titanium dioxide, he has overseen its investment on environmental compliance since 1990. Titanium dioxide, the main ingredient in white pigment, is used in a range of industrial and consumer products.

Tioxide, a subsidiary of Imperial Chemical Industries, has spent the money reducing emissions from its plants and neutralising waste. "The capital that has been spent will never be recovered," says Pedder. "That is a cost to industry, and in the long run it will be reflected in the cost of the pigment."

SCM Chemicals, the US-based Hanson subsidiary and the world's third-largest titanium dioxide producer, estimates its environmental spending at more than $100m (£65m) in the past 20 years, while Rhône-Poulenc of France, the fourth largest producer in Europe, has invested FFr600m (£79m) since 1990. The companies also incur annual operating costs to run neutralisation and recycling plants.

They are now trying to offset these costs by selling by-products made from their waste. The companies say they are turning a liability into an opportunity, and extending the lifespans of landfills where the waste would otherwise be dumped.

"Basically we are trying to reduce the amount of material we dump into landfills and increase the amount we sell as useful products," says Pedder. "We are trying to reduce the cost of being environmentally good."

Many TiO_2 producers have been neutralising waste and selling by-products for as long as 20 years, in an attempt to preserve landfills and anticipate environmental regulation.

But early in the decade, a raft of legislation forced all manufacturers to reduce the environmental impact of their waste. Chemical companies were suddenly required to treat their waste, recycle it and reduce factory emissions by as much as 75 per cent.

Dealing with the waste is a heavy task: last year the industry produced 3.78m tonnes of TiO_2. Depending on the manufacturing process, between 0.5 tonnes and 12 tonnes of waste are generated for every tonne of TiO_2 produced.

Titanium dioxide is produced in two ways. The sulphate process involves the reaction of sulphuric acid with raw materials containing titanium. In the chloride process, chlorine and coke react with the raw materials and the resulting substance reacts with oxygen to create the final product.

The sulphate process, which accounts for about half the world's production of titanium dioxide, produces iron sulphates and sulphuric acid as waste. The iron sulphates can be used in coloured pigments, fertiliser and water treatment. When the sulphuric acid is neutralised, it produces gypsum, which can be used in building materials, and carbon dioxide, which can be used by the soft-drink industry.

SCM Chemicals has shifted most of its production to the chloride process because it produces less waste. Now 83 per cent of its capacity is manufactured in this way.

Most of the chloride used in manufacturing is recycled. The remaining waste is either ferric or ferrous chloride – iron salts – and hydrochloric acid. The iron salts are used mainly in water treatment.

Most of the by-products are of low value, making it uneconomic for companies to transport them. "Most of our products are restricted to markets within 100km of our factories," says Rob Louw, managing director of the Tioxide materials business set up to commercialise the group's waste products.

However, the business is developing more sophisticated products for water treatment which it hopes will be of high enough value to turn into global products worth exporting.

Rhône-Poulenc has established a research team to develop high performance products from its waste. The group, which produces 500,000 tonnes of gypsum a year, spends FFr10m annually to neutralise and generate the mineral. "Right now we are only giving value to a few hundred tonnes of gypsum," says Jean-Claude Bravard, president of the group's coatings and construction materials division.

Trying to manage the sale of by-products as if it were a traditional business unit can be difficult, because the quantity of waste produced is dependent on demand for the titanium dioxide.

"Because the co-products are a consequence of making the pigment in the first place, you cannot regulate the quantities that you have to deal with," says Louw.

"That is a marketing challenge, because if the demand for pigment drops, you could still have a high demand for the co-products. So you have to be flexible in your ordering arrangements."

Boous plans also cannot be based on traditional profit motives. At Tioxide, the management reward system takes into account the cost of environmental compliance. "We need to achieve this environmental performance and it has cost us money," says Pedder. "We use an inverse accounting process where we say: assuming you have to do the neutralisation process and incur that cost anyway, how much has the materials business contributed to lowering that cost, rather than how much profit has it made?"

Similarly at SCM, executive bonuses are based on group-wide achievement of profit targets rather than performance of individual businesses. "The bonus plan is not geared towards a particular plant selling enough gypsum to recover the cost of producing gypsum," says Dan Friedman, general counsel in charge of SCM's environmental auditing programme.

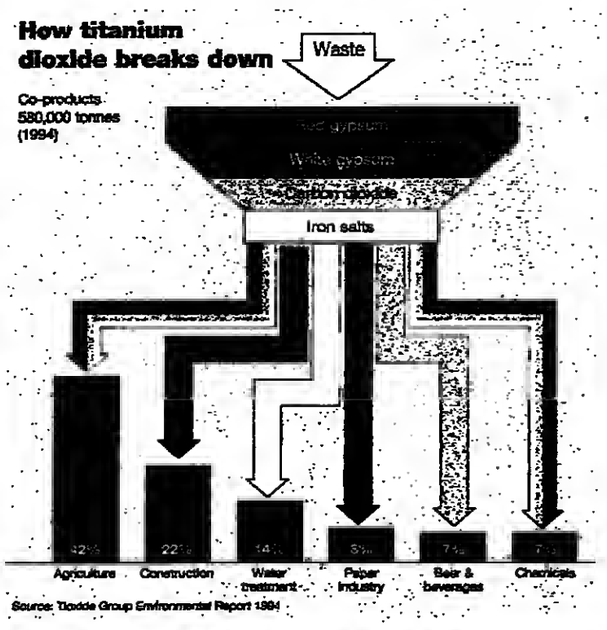
Although Friedman believes it is unlikely that the commercialisation of its waste will ever recover the full cost of environmental compliance – SCM spends about $5m a year neutralising and converting its waste – he says the business could not survive without it. "This is simply the cost of doing business in today's society. Either you comply with environmental laws or you are out of business."

He believes there is little room for further regulation. "By and large, industry has done what is really necessary to clean up its act. It is now a question of diminishing returns: we have already got rid of 99.7 per cent of all pollutants in our waste and we would probably spend £50bn to remove those last three parts per billion.

"That would reach the point of madness and our products would be prohibitively expensive."

'This is simply the cost of doing business in today's society. Either you comply with environmental laws or you are out of business'

How titanium dioxide breaks down



Source: Tioxide Group Environmental Report 1994

A leak in Japan's newest reactor may have undermined its energy programme, says **Emiko Terazono**

Nuclear policy starts to crack

The recent leak of sodium coolant from Japan's newest nuclear reactor, the centrepiece of Japanese energy policy, has caused a furore among the public locally and threatened the country's controversial plutonium programme.

Local residents and government officials have called for the permanent closure of Monju, Japan's experimental fast breeder reactor, after the leak of three tonnes of non-radioactive sodium coolant. "An accident which the government has said will never happen has taken place. Monju is the product of premature technologies," says Miwako Ogiso of an anti-nuclear group in Fukui region in western Japan where Monju, named after the goddess of wisdom, is located.

Aside from safety concerns, the incident has deepened distrust over the nuclear operator's disclosure procedures. Yukio Kurita, governor of Fukui, criticises the state-owned Power Reactor and Nuclear Fuel Development Corporation (PNC) for waiting an hour after the accident before alerting central government. Environmental lobby groups also claim that PNC initially announced the leak as "minuscule" when it was in fact the largest sodium leakage from a nuclear reactor in the world.

The accident could cause a huge setback in Japan's plutonium policy, drawn up in the late 1950s. The fast breeder reactors, which run on plutonium, are designed to produce more fuel than they consume, which is important for a country lacking domestic energy resources.

The oil crises in the 1970s reinforced Japan's aim of becoming self-sufficient in energy. The country is the world's third-largest producer of nuclear power after the US and France and derives 33 per cent of its energy consumption from nuclear plants run on uranium.

Japan feared in the 1970s that uranium would become scarce, but uranium and even oil prices have plunged while concerns about nuclear proliferation have spread internationally.

Critics of the plutonium programme point to the costs, which make commercial use of reactors unfeasible. Fast breeder reactors are also expensive to build, and the 280MW Monju cost Y390bn (£3,730m), around twice the price of the older 500MW reactors. Moreover, Japan still relies on the UK and France to reprocess its used nuclear fuels into plutonium, and the shipments of fuels and the highly radioactive plutonium has caused outcry.

The government says its plutonium programme remains unchanged in spite of the protests by local people and environmental groups. But it has conceded that the reactor will not be restarted without the full consent of nearby residents.

The nuclear reactor began generating electricity in August 10 years after its inception and was scheduled to start full operations in June next year. However, Yasuoki Urano, director general of the Science and Technology Agency, says that it will take more than six months to resume operations at Monju.

The government may be forced to review its plutonium policy because of technical reasons highlighted by the leak: in fact, complications in using sodium as a coolant led to decisions by the UK and Germany to abandon its development.

Although sodium is regarded as efficient, since it does not need to be pressurised, it reacts violently on contact with water or air. PNC officials believe the sodium leaked from parts of the cooling pipes which were welded together five years ago. It created thick toxic smoke in the outside air.

Some critics say Monju could become another Mutsu, Japan's first nuclear-powered submarine which was abandoned after a radiation leak was detected within minutes of its first test in 1974.

ARTS

Television/Christopher Dunkley

A zap through the networks

You have worked late at the office, had a drink with friends, and gone home to a microwaved Marks and Spencer's dinner. It is nearly midnight. You carry your tray across to the old green sofa, slump down, use the remote to turn on the telly, and discover that BBC1 is showing an American crime movie which you have seen before. Try BBC2. A South African bishop is describing the effects of land mines. Switch to ITV. They are showing *Prisoner Cell Block H*, an Australian series about a women's prison which you have heard is supposed to be a cult, but mainly among lesbians. And Channel 4? They are screening something American about a hospital; judging from the soundtrack it is supposed to be funny, yet the lines do not strike you as amusing.

Here, surely, is where the cable comes into its own: 46 more channels, many running 24 hours a day. There must be something worthwhile among all that lot. Select channel 5 on the television and exchange the TV remote for the cable remote. Hit 01 and you see a man sitting in a garret with what appears to be a remote in *his* hand. It is an electronic crossword solver. He is trying to sell you one. Zap. UK Gold ("British entertainment at its best") is showing a Jasper Carrott repeat. You stay long enough to see London Wainwright III do a dreadful number with a guitar. Zap. On Sky Movies Gold, Catherine Deneuve is strutting her stuff in 1960s lingerie: *Belle de Jour*. It is a remarkable Bunuel movie but you have it on cassette. Zap to 04 to find that UK Living has gone off the air.

Zap. On Live TV, the notorious Daily Mirror channel created by *Janet Street-Porter and modified by* Kelvin MacKenzie, a blonde with a big chest is talking to a man from *Football Monthly* about soccer. Sport itself would be one thing, but studio chat about sport? Zap. Sky News is also doing studio chat about soccer. That is followed by someone reading out the headlines from the morning papers. Zap. VH1 is supposed to be a pop channel but they are in a commercial break: the late John Betjeman is saying from his wheelchair "I regret not having had more sex". Zap. CNN is doing banking news, good for bankers, no doubt, but tedious for everyone else. You wait a moment to see whether they will move onto something that interests you, but banking seems set to go on and on. Zap.

Channel 09 has nothing but a rolling service message. Zap. On the Performance channel, where you can sometimes find an opera or a symphony concert late at night, they are doing the sort of jazz that sets your teeth on edge. Zap. Sky 1 offers a Carlsberg commercial. Zap. On Eurosport an American is shouting at you in an attempt to make you buy an exercise machine for £380. Zap to 13, the Movie Channel, and this looks better than anything so far: movie (*After Midnight* you later discover) which you have never seen. However, it is now nearly 1.00 am and you can tell from the content that you must have missed most of it.

Zap. More studio chat about football on Sky Sports. Zap. Sky Sports 2 is off the air. Zap, zap. Channels *16 and 17 both carry Asian language* programmes. Zap. HVC is showing a movie you have seen twice. Zap. Bravo is off the air. Zap to 20, the Parliamentary Channel, which has also closed down. Zap. SelectTV, "The best in British entertainment", is off the air. Zap. On the Afro-Caribbean BET there is a black rap artist. Zap. Channel 23, Sky Movies: at last! A film, *Bitter Harvest*, which you have not seen, and which looks as though it has only just begun. You watch till the bitter end, which means staying up till 2.30, though you fairly quickly conclude this is an exploitation movie (fleeting shots of Patsy Kensit topless) with a ludicrous plot about robbing banks. Next time, you vow, you will work downwards through the cable channels from No 46 because there must, surely, be something better than this.

The occasion arises sooner than expected. Only three days later you find yourself in mid-evening bored to tears by *Dangerfield* on BBC1; determined to save BBC2's *Have I Got News For You* to watch with your friends when it is repeated on the following day; not inclined to watch *News At Ten* since you saw the *Nine O'Clock News*; and not interested in Channel 4's American import. So: select Channel 5 and hit 46 on the cable remote. The Sci Fi channel is showing a dreary studio based 1950s (could be 60s) fantasy episode in black and white. Well, grey and grey. Zap. TV Cinq has a black rap artist performing in studio in English, though this is a French network. Zap. RTL is showing *Robocop* in German. Zap.

RAI Uno has a programme about Nazis and partisans in Umbria in the second world war, in Italian naturally enough. Good practice for those learning the language but otherwise a bit demanding. Zap. Hellenic is a subscription channel for Greeks in London to which you do not subscribe. Zap. On QVC, the shopping channel, they are, as ever, selling costume jewellery: "This ring has a real substantial profile..." Zap. EuroNews is showing footage from Chechnya without any commentary. Is it Russian? American? British? Who knows? Zap to channel 39, the so called Adult Channel, but this does not get going until midnight. Zap. Same goes for the newer soft porn service, TVX The Fantasy Channel.

Zap. Straight into the face of Ed Mortimer, assistant foreign editor of the FT. He, it seems, has been reporting for FT Television on the NBC Superchannel, and another FT report follows, from Stock Markets editor Steve Thompson. Handy if shares are your thing. Zap into a printed small ad for a "Support Worker". Zap, zap. Channels 35 and 34 are spare. Zap, zap, zap, zap: Channel 4, ITV, BBC2 and BBC1 via the cable. That is what you are trying to escape. Zap. The Disney Channel is off the air until tomorrow morning. Zap. So is Nickelodeon. Zap. Also TCC The Children's Channel. Zap. Aha! TNT, Ted Turner's channel for old movies is showing *Deaf Smith And Johnny Ears*, a spaghetti western better known as *Los Amigos*, starring Anthony Quinn. You have heard of subjective camera, but this movie invents subjective microphone: when Smith watches his friend gallop away over the rocks there is total silence ... because he is deaf.

Smith finally rides off and leaves his buddy to the girl at 12.30 am. Time to look through the last three choices. Zap. The Discovery Channel has closed down. Zap. MTV, as always, is showing pop videos. Zap. On Channel 24, The Box, they are running a commercial for the new Meatloaf record "Welcome To The Neighbourhood". So is that really it? A few random zaps. UK Gold is now repeating an ancient *Dr Who*. Sky Movies Gold is giving us yet another chance to see the bizarre Russ Meyer extravaganza *Faster Pussycat! Kill! Kill!* Can you resist watching it again? Of course not. The wee small hours have crept round once more. One last look, just in case you are missing something wonderful. BET has a ghost-like white singer doing the Michael Jackson number "You Are Not Alone" ... good grief, it is Jackson himself. On the Superchannel Selina Scott is chatting to a black rap artist. On the Adult Channel another wet tee-shirt contest is under way. It is 2.25 in the morning. There is nothing on television. Zap.

Theatre

Privates on Parade

Peter Nichols' 1970s play *Privates on Parade* is a wonderful combination of subversiva comedy, sweet nostalgia and camp innuendo and its revival at Greenwich Theatre is long overdue. Drawing on Nichols' own experience as a soldier in a Combined Services Entertainment song-and-dance unit, the musical introduces us to life in Malaya's SADUSEA (Song and Dance Unit, South East Asia) in 1948 as experienced by Private Flowers.

From the moment Flowers, green in all departments of life, reports for duty to be issued with "one pair of shoes, type: Astaire, Fred", it is clear that life with the unit is going to be very different from sleepy New Malden. Here he encounters haphazard tolerance, unintentional permissiveness and unchallenged corruptinn. The soldiers rehearse revues under the creativa guidance of the effervescently camp Acting Captain Terri Dennis, while among them twn gay men share a bed and the bully-boy sergeant major runs guns and prostitution rackets, all under the sleeping gaze of the hopelessly out of touch Major Flack.

Nichols wittily matches style with content – scenes rnll into Denis King's song and dance routines, often enjnyable pastiches of the performers of the day. Paul Clayton's production enters into this with entertaining spirit.

But the wit, affection and easy-going styla are deceptive. Beneath all the bonhnmie, Nichols is mounting a scathing attack on English imperial policy that involved soldiers losing their lives in capricious manoeuvres for dubious commercial motives. Of all the characters, the bluff old major is the most sinister (a splendidly funny, deadpan performance from Nicholas Le Prevost) with his self-righteous beliefs in Empire. "We're here to save Malaya from a new dark age of atheism" he says, and continues in this vein even when one of his soldiers lies slaughtered because of his orders.

Le Provost leads a clutch of entertaining performances from a strong cast. Damien Matthews is eminently credible as Private Flowers, slowly losing his innocence and his socialist principles; Christopher Penney is beguiling as the gentle gay soldier, Lance Corporal Charles Bishop; Paul Slack funny as the rough diamond and Richard Wellings-Thomas ridiculous as the nice-but-dim Eric Young-Love.

Tony Slattery as the rouged, resident queen, Acting Captain Terri Dennis Alastair Muir

If there is a weak link in the whola show it is Tony Slattery as the rouged, resident queen, Acting Captain Terri Dennis. Funny yes; larger than life, yes; delightful in the pastiche songs, yes; yet there is a lack of subtlety about his performance that makes it overbearing. He is clumsily rather than coyly camp and you get no sense of pathos, or of the vulnerability that underpins his gay bravado. As Lance Corporal Bishop reminds him, and us, at one point, this is a man who has found a *modus vivendi* in the rarified atmosphere of SADUSEA, hnt who could easily be arrested back home. Even when he steps in with a saving gesture for the pregnant native girl Flowers is planning to abandon, you do not really get a sense of his soft heart.

But this is still a vastly enjoyable, wickedly funny evening.

Sarah Hemming

Continues to February 3 at Greenwich Theatre, London SE10 (0181-858 7755).

Ballet/Clement Crisp

Nutcracker's last stand

First, the bad news. English National Ballet's *Nutcracker*, in Ben Stevenson's staging – now ensconced on the South Bank's own version of Death Row – is as loathsome as ever. (Its first act is based on the premise that falling down, whether through drink or sheer roguishness, is an essential of entertainment).

The good news is that this season marks its final outing, and by January the dustmen will be able to lug it to some municipal tip where, so advanced is its state of decomposition, it will soon disappear. Next Christmas, Derek Deane will give us a new version which – please Heaven – will listen to the drama and magic of the score, and will be marked by civilised behaviour and classic propriety, from the dancers if not the audience.

Looking at the brawl on Monday night, I thought enviously of fiction reviewers who have nnly to cope – so says the blurb to a recent nnvel – with "a pulsating tale of interracial leshianism and Bengali women's football". This might just do as a description of the party chez Stahlbaum in *Nutcracker*'s first act, with the added charm of a Papa wbo makes his own clothes (on the fit-where-it-touches principal), alcoholism, child molestation, and a little girl who is plainly 30 years older than her parents believe her to be. All that is needed (apart from the attentions of a psychotherapist) is Bengali lesbians in football boots.

There were compensations to the evening, nonetbeless, in three dance performances. If I hail Thomas Edur yet again, it is tn salute the continuing beauty and distinction of his classic style. Everything he shows us – dance; character – is shaped by a refined sensibility, by harmony of means, and given an essential clarity. In the non-role of the Prince, he offers phrases of movement that have an emntional, even a spiritual, "lift" quite as real as the upward surge of his dancing. We see something pure, grand, truly classical. It is dancing of rare worth.

I alsn enjnyed very much tbe appearances by Monica Perego as the Sugar Plum, and by Josephine Jewkes leading the flower waltz. Miss Perego is light, precise, charmingly secure in technique. What is so delightful about her Sugar Plum is an absence of mannerism. She sets out the dances with a touching appreciation of what the choreography is doing: you sense that she knows exactly its message and is not going to interpose her own "voice" to cloud the issue. There results a reading delicate, musical. She might find a moment's more radiance for the variation (Markova was a child's dream of frosted, spun-sugar delight in this solo), and her shoes are dull, but hers is dancing of distinction, and reminds us of what *Nutcracker* should be.

Josephine Jewkes, too, brought a proper radiance to the sickly horrors of the Kingdom of Sweets. With dancing free, generous in shape, touched with that sense of joy which warms an audience, she caught the spirit of the waltz beautifully.

For tbe rest, there were eager performances – some far too eager – and, nearly submerged, the splendours of that amazing score. Let ENB's New Year resolution be that the next staging will listen to the music.

English Natinnal Ballet performs *The Nutcracker* at the Royal Festival Hall until January 6.

Panto/Simon Reade

Dream-layered 'Hansel and Gretel'

Cheer Up! Experience a new culture! Thus enthuses Dad to Harry, landing at Kiev airport on January 6 1996, Christmas Eve in the Ukraine. Writer Michael Dalton then weaves a complex dream visinn of the Brothers Grimm tale entitled *Hansel and Gretel* within this modern frame. However, the attempt to be culturally diverting is thwarted by detours down undramatic *cul-de-sacs*.

Sceptical of what his new environment can offer him, Harry (the very funny Daniel Harcourt) unwittingly has dreams inspired by the local customs. He is Hansel, the wood-chopper's son abandoned in the forest. His dream can only progress in rhyme. Clever. In his dream, Harry/Hansel meets Gretel, wbo is also dreaming – bnt 50 years previously. In her dream she has another dream of her mother's Kiev theatre, where a famous Cossack actor (his *Bottom* was big in Bratislava), will perform a play with a mythical dragon. At this point, Hansel falls asleep (in all dreams!). Eventually they arrive at the familiar gingerbread house.

When you think about the story-telling dream-layers in the abstract, they are interesting. In practice, they are a bit of a palaver. Sundry themes are introduced too, but left unexplored. The forest is called "Wermwood" for example, which literally translates as "Chernobyl" (north of Kiev). When the gingerbread house and Alastair Cordin's sinister Scots Witch go up in flames, you think of the nuclear disaster. There is no nther connection.

There is also a potentially fascinating juxtaposition between 1946 and 1996. "What's it like in the future?" asks an intrigued Gretel to her co-dreamer: "Computers, nuclear reactors, packets of crisps – we're civilised." The insight goes no further. When Harry greets his Grete1 in the present day (an old woman now) and recounts his dreams, she says: "I had that dream 50 years ago!" The rest is left to our imaginations.

The children seem lo like the five versatile perfnrmers, especially Paul Daintry as a hit-part actnr wbo, in moments pre-figuring the dream and backstage sequences, acts nut his fantasies of being a Hollywood film hern. They are fairly gratuitous, but more fun than a schlock "Song for Europe" interlude, tbe Ukrainian characters' salted cod accents, or inappropriate peeks of Gretel's thighs (leggy Sara Stockbridge).

Jonatban Hnlloway's direction veers between the nadir of commercial panto and that zenith of story-telling attained last year at the Young Vic, the grisly yet exquisite *Grimm Tales*. This co-production between the touring company's Red Shift and Pop-Up is nudacious but frustratingly inconsistent and sadly flawed.

Hansel and Gretel is at the Lyric, Hammersmith until January 6, 1996. (0181 741 2311). Supported by Royal Mail.

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERT
Staatsoper unter den Linden
Tel: 49-30-2092861
● Weihnachtsoratorium (Part 1, 2, 3): by J.S. Bach. Performed by the Staatskapelle Berlin with conductor Peter Schreier and the Staatsopernchor. Soloists include soprano Carola Höhn, mezzo-soprano Rosemarie Lang, tenor John Mark Ainsley and bass Geert Smits; 8pm; Dec 21

■ DRESDEN

OPERA & OPERETTA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Fidelio: by Beethoven. Conducted by Christof Prick and performed by the Sächsische Staatsoper Dresden; 7pm; Dec 21

■ FRANKFURT

THEATRE
Städtische Bühnen - Oper, Ballett, Theater Tel: 49-69-2123744
● Heldenplatz: by Bernhard. Directed by Peter Eschberg and performed by the Schauspiel Frankfurt; 7.30pm; Dec 22

■ GENOA

CONCERT
Teatro Carlo Felice
Tel: 39-10-589329
● Il Natale del Redentore: by Perosi. Performed by the Orchestra del Teatro Carlo Felice, conducted by Gianandrea Gavazzeni; 9pm; Dec 23

■ GLASGOW

DANCE
Theatre Royal Glasgow
Tel: 44-141-3323321
● Peter Pan: a choreography by Graham Lustig to music by Edward McGuire, performed by The Scottish Ballet; 7.15pm; Thur & Sat also 2.15pm (Dec 21: 1.30pm), not on Dec 24, 25, 26; to Dec 30

■ LEIPZIG

CONCERT
Gewandhaus zu Leipzig
Tel: 49-341-12700
● Gewandhausorchester: with conductor Kurt Masur and narrator H. Thate in an all-Beethoven programme, commemorating the 225th anniversary of the composer's birth. The programme includes "Heiligenstädter Testament", "Symphony No.2", "Brief an die unsterbliche Geliebte" and "Symphony No.8"; 8pm; Dec 21, 22
OPERA & OPERETTA
Oper Leipzig Tel: 49-341-1261261
● Zar und Zimmermann: by Lortzing. Conducted by Jörg Krüger and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Helga Pink, Jörg Schömer, Jurgen Kurth and Victor Sawaley; 7pm; Dec 23, 31 (6pm); Jan 5 (7.30pm)

■ LINZ

CONCERT
Brucknerhaus Tel: 43-732-7612
● Symphonic Ensemble Aktuell: with conductor Franz Welser-Möst, the Mozartchor des Linzer Musikgymnasiums, sopranos Sylvia Greenberg and Andrea Wögerer, and bass Ivan Urbas perform works by Mozart and J.N. David; 7.30pm; Dec 21

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● Royal Philharmonic Orchestra: with conductor Martyn Brabbins perform a Christmas concert, including works by Humperdinck, J. Strauss, Anderson, Alberga, Offenbach, Pieler, Rimsky-Korsakov, A.C. Mackenzie and Tchaikovsky; 7.30pm; Dec 22
Royal Albert Hall
Tel: 44-171-5823861
● Christmas Classical Gala: the BBC Concert Orchestra with conductor James Lockhart, the London Choral Society and the Fanfare Trumpeters of the Band of the Welsh Guards perform excerpts from operas such as "Carmen", "Il Barbiere di Siviglia", "Faust", "Rigoletto", "La Boheme", "Madama Butterfly", "Les Pêcheurs de Perles", "Turandot" and "Die Fledermaus". Soloists include soprano Amanda Thane, mezzo-soprano Claire Powell, tenor Bonaventura Bottone and baritone William Dazeley; 7.30pm; Dec 21
Wigmore Hall Tel: 44-171-9352141
● Guildhall String Ensemble: with conductor Robert Salter, perform works by Corelli, Vivaldi, Handel, Grieg and Telemann; 7.30pm; Dec 21

■ LUXEMBOURG

CONCERT
Théâtre Municipal Tel: 352-470895
● Symphony No.8: by Mahler. Performed by L'Orchestre Symphonique RTL and L'Orchestre Symphonique et Lyrique de Nancy, conducted by Alexander Dmitriev, the Friedrich Spee Chor, Trèves, the Maîtrise de la Cathédrale de Luxembourg, the Choeur de l'Opéra de Cluj and the Chorales enfantines du Conservatoire et du Fieldgen. Soloists include soprano Elena Ustinova, alto Lucienne Van Deyck, tenor Johan Hurst, bass Ionel Pantea and baritone Carlo Hartmann. Closing concert of "Luxembourg, Cultural Capital of Europe 1995"; 8pm; Dec 21, 22

■ MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098506
● Münchner Philharmoniker: with conductor Fabio Luisi, perform Berlioz's "Symphonie fantastique" and Schoenberg's "Verklärte Nacht"; 8pm; Dec 21
OPERA & OPERETTA
Nationaltheater
Tel: 49-89-21851920
● Hänsel und Gretel: by Humperdinck. Conducted by Heinrich Bender and performed by the Bayerische Staatsoper. Soloists include Marita Knobel, Helena Jungwirth and Frances Lucey; 7.30pm; Dec 21, 23 (1pm)

■ NEW YORK

OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● Die Meistersinger von Nürnberg: by Wagner. Conducted by James Levina and performed by the Metropolitan Opera. Soloists include Karita Mattila, Ben Heppner and Bernd Weikl; 6pm; Dec 21

■ PARIS

THEATRE
Comédie Française, Salle Richelieu Tel: 33-1 40 15 00 15
● Occupe-toi d'Amélie: by Georges Feydeau. Directed by Roger Planchon. The cast includes Bérengère Dautun, Alain Pralon and Nicolas Silberg; 8.30pm; Dec 21, 24 (also 2.30pm), 27 (also 2.30pm)

■ ROTTERDAM

EXHIBITION
Kunsthal Tel: 31-10-4400301
● Passage Brussel. Nederlandse schilders in Brussel 1850-1890: exhibition of works that were made between 1850 and 1890 by Dutch painters who lived in Brussels; from Dec 22 to Feb 4

■ STRASBOURG

CONCERT
Palais de la Musique et des Congrès Tel: 33-88 37 67 67
● Les Arts Florissants: with conductor William Christie perform works by Mozart, including his "Requiem". Soloists include soprano Anna-Maria Panzarella, alto Nathalie Stutzmann, tenor Hans-Peter Blochwitz and bass Thierry Félix; 8pm; Dec 22

■ STUTTGART

DANCE
Staatstheater Stuttgart
Tel: 49-711-221795
● Onegin: a choreography by John Cranko to music by Stolze/Tchaikovsky, performed by the Stuttgart Ballett; 7pm; Dec 25

■ SYDNEY

EXHIBITION
Museum of Contemporary Art
Tel: 61-2-241-5876
● Louise Bourgeois: exhibition of early and recent sculptures and a selection of drawings by this French-born artist, who has lived in New York since 1939. Bourgeois focuses in her art on the themes of sexuality, feminism, the body and the family; from Dec 21 to Apr 14

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Thomas Hampson: accompanied by pianist Wolfram Rieger. The baritone performs songs by Mahler, R. Strauss and Webern; 7.30pm; Dec 22
● Wiener Symphoniker: with conductor/pianist Rudolf Buchbinder, the Wiener-Jeunesse-Chor and soprano Petra Maria Schnitzer perform works by Haydn, Mozart and Beethoven; 7.30pm; Dec 20, 21

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Edward Mortimer

Indignation fatigue

Bosnia has been partitioned and we should stop pretending that it has not, or that we have anything better to suggest

Bob Geldof, the rock singer and philanthropist, announced some time ago that he was suffering from "compassion fatigue". Last week, listening to an expert demolition of the Dayton agreement on Bosnia, I realised I was suffering from a similar complaint, which one might call "indignation fatigue".

No doubt about it: the agreement is thoroughly unjust, and much of it is clearly unworkable. Richard Holbrooke, its main architect, is being even more dishonest when he claims it is going to recreate Bosnia as a single state than when he tells the US Congress that the Implementation Force (Ifor) will not be involved in combat operations because the troops are being deployed with the consent of all parties.

The latter proposition is very likely to prove wrong, since many of the Bosnians most directly affected by the accord were not represented in Dayton: the Serbs of Grbavica and Ilidza, districts of Sarajevo hitherto under Serb control; and the Moslems from regions which have been traded away to maintain the Serb share of Bosnia at the agreed 49 per cent. Kresimir Zubak, the Croat leader, *was* present in Dayton, but resigned rather than initial the agreement which gives away his home town of Doboj.

Still, there is just a chance that such local leaders will be overawed by the pressure of their bosses who did sign, and by Nato firepower. They might decide it is prudent to wait until Ifor has departed before seeking to adjust the agreement in their favour by carefully targeted military operations. And with s bit of luck it may then be too late, because the new demarcation lines will have solidified and the "entities" behind them will have acquired a degree of organisation and discipline.

Yet the very fact that that is the optimistic scenario shows clearly that this agreement ratifies partition and makes no attempt to reverse it. In theory, refugees are meant to go home, although in the great majority of cases this would mean crossing the lines of separation into "enemy" territory. In theory, the residents of Grbavica and Ilidza should stay put, enabling the Bosnian government to show how seriously it takes multiculturalism by treating them with scrupulous fairness.

In practice, no one expects either of those things to happen. Refugees will not return to places where the local police force is still composed of the people who drove them out, probably including those who massacred their relatives. And if the Bosnian Serb army does move out of Grbavica and Ilidza, as the agreement says it must within one month, few civilians will stay behind to see how Bosnian government forces behave. The great majority of them will flee, as their cousins in the Krajina did during the Croatian blitzkrieg in early August. Unhappily, the behaviour of Croatian government forces towards the few elderly Serbs who remained in the Krajina only proved how right the rest had been to get out.

The "Serb Republic" in Bosnia will remain a separate entity, perhaps inhibited by international pressure from formally joining Serbia, but still enjoying much closer links with that country than with other parts of Bosnia. There is a clear precedent for this in the "Turkish Republic of Northern Cyprus". This entity is still legally part of Cyprus, and international pressure obliges it to go through the motions of talking to the Greek Cypriots about reuniting the island as a "bi-zonal, bi-communal federation". But in practice it is closely linked to Turkey, and the Greek Cypriots who fled their homes in the area in 1974 have never been allowed to return.

> Refugees will not return to places where the local police force is still composed of the people who drove them out, probably including those who massacred their relatives

What remains unclear is whether the Moslem-Croat "federation" in the rest of Bosnia will become a reality or whether, contrary to the agreement, the separate republic of "Herceg-Bosna" will remain in being. The inhabitants of the latter – to all intents and purposes an extension of Croatia – even voted in the recent Croatian elections.

If Herceg-Bosna is dissolved, the price will almost certainly be that the federation becomes a satellite of Croatia, on which it will remain heavily dependent for overland communications. If Herceg-Bosna continues, on the other hand, the Moslem rump of Bosnia will lead a precarious land-locked existence, dependent on some kind of permanent airlift for its survival.

It is all thoroughly lamentable. The results of "ethnic cleansing" have in effect been ratified. An appalling precedent has been set. The moral pretensions of Europe, the UN, even the US, have been exposed.

Yet somehow I can no longer get worked up about it. That *lâche soulagement* (cowardly relief), to which a French writer admitted at the time of the 1938 Munich agreement, has crept over me. I am no longer prepared to urge that the Bosnian government be armed, and assisted by western air power, so that it can "liberate" the parts of Bosnia still under Serb "occupation".

It is true that those areas contain the homes of many Moslems and Croats, and probably of quite a few Serbs who, given the choice, would rather have lived in a multicultural Bosnia than in an ethnically pure Serb republic. But those wrongs cannot be righted now. Even the present military balance, which has made this half-peace possible, was achieved only by military operations which brought with them new wrongs: the mass flight of the Serb population from the Krajina and from many towns and districts in north-western Bosnia.

It is time to call a halt. And it is time to pay tribute to the UN soldiers and civilians who, for the past three years, have struggled, to fulfil an impossible mandate with hopelessly inadequate resources – a struggle in which more than 200 of them gave their lives. Let us hope that Ifor, with its vastly superior numbers and equipment and its much more carefully defined mandate, will fare better.

But it does seem rather hard that the UN, at the very moment when it is being elbowed aside in Bosnia, should now be expected to police a thoroughly one-sided agreement imposed by US negotiators on the Serbs of eastern Slavonia, who were threatened with being immediately overrun by Croatian forces if they refused to sign.

After three years as the US's whipping-boy in the former Yugoslavia, Boutros Boutros Ghali, the UN secretary-general, is understandably reluctant to accept another unworkable mandate. So what does he get for his pains? Another verbal drubbing from Madeleine Albright, the US ambassador to the UN.

Just a minute! I almost thought I felt a twinge of indignation . . .

LEADERS FOR A NEW MILLENNIUM

Archie Norman · By Neil Buckley

Politics on the shopping list

Anyone wondering what comes next for Archie Norman, the man who rescued the UK supermarket chain Asda from near-collapse and the youngest chief executive yet of a FT-SE 100 company, can find a clue in his *Who's Who* entry. Heading a list of interests spanning farming, opera, theatre, music, fishing, skiing and tennis, is the single word: politics.

Since joining Asda at 37, in 1991, Mr Norman has salvaged a company about to submerge under £1bn ($1.54bn) debts after over-expanding, and transformed it into the country's fastest-growing food retailer, with profits forecast at £300m this year.

But recently, Mr Norman, a committed supporter of the Conservative party, has raised his public profile with a series of campaigns that has increased speculation about his political ambitions. He has lobbied noisily – and successfully – against changes in the taxation of share options proposed in the summer by the Chancellor of the Exchequer, saying they threatened to penalise the 36,000 Asda staff covered by the company's schema.

Through discounting books in his stores, he claims to have hastened the unravelling of the Net Book Agreement which allowed UK publishers to fix book prices. He followed this by price-cutting on vitamins, helping prompt an investigation by the competition authorities into similar price-fixing on non-prescription medicines.

It is all part of his strategy to return Asda to its roots as a low-priced operator aimed at "ordinary working people", and inject "personality" and "fun" into its supermarkets – through everything from fancy dress days to singles nights. Yet Archie Norman seems an unlikely consumers' champion and advocate of "fun" shopping. Tall, lean and fresh-faced, he is earnest and reserved, apt to lapse into the consultant-speak learned through a Harvard MBA and seven years with McKinsey, the corporate strategy experts.

His seriousness stretches back to university days at Emmanuel College, Cambridge. "This was the 1970s," says one contemporary. "Most of us drank and played hard. Archie worked hard."

Mr Norman did, however, find time to chair the students' Conservative association. He also forged contacts among fellow students such as Mr Michael Portillo, the rightwing defence secretary with whose views he sympathises, and Mr Francis Maude, chairman of the deregulation taskforce and an Asda director.

After spells at Citibank and Harvard, Mr Norman joined McKinsey, becoming a member of the British generation nicknamed the "McKinsey mafia". Contemporaries included Mr Adair Turner – another Cambridge friend – now director-general of the Confederation of British Industry, and Mr Howard Davies, deputy governor of the Bank of England.

> **'I have a given interest in the public sector. That is something I might look at'**

Mr Norman was lured away from McKinsey in 1986 by Kingfisher, the UK retail group he had helped fend off a bid from rival Dixons. In five years as Kingfisher's finance director, he gained respect in the City for his intellect and communications skills.

When he arrived as Asda in 1991, he spotted the need to stop it aping competitors such as J. Sainsbury and find a new approach in an era of over-capacity in retailing and low spending growth. His warnings of the end of the "halcyon days" in food retailing irked competitors.

"People might not like the way I did it, and might say I was talking my own book (which is what I am paid to do)," he says. "But it is much better if they understand the realities before they happen. I think I did everyone a great favour."

His strategy was to differentiate Asda through lower prices, friendlier stores, and a broader range of goods. That was backed by a top-to-bottom culture change to ensure all staff – or "colleagues" in Archie-speak – "walked the talk".

In came open-plan offices, meetings held in offices without chairs to keep them short, and the "Wall of True Believers", an 18-foot blackboard in head office on which managers chalk promises of improvement.

Shop staff were "involved" in the business by being given full results breakdowns, and encouraged to write with suggestions and complaints to the chief executive in a "Tell Archie" campaign (14,000 did so last year). Best-performing staff won the use of a Jaguar for a month.

Inevitably, there were casualties: insiders say Mr Norman's head office shake-up was often brutal. And rivals point out Asda's shop staff are among the lowest-paid of any large grocer. There have been several clashes this year with the GMB, Asda's union.

But Mr Norman says he celebrates the decline in Asda's union membership from 80 per cent to little over 20 per cent. "I don't think unions like the GMB have changed at all in the last 20 years. They have not found a role," he says.

Are such views, along with his non-executive directorship of Railtrack and strong support of rail privatisation, a pointer to his political future? Mr Norman remains cagey. "I don't think I will spend my [whole] career at Asda," he says. "But I like the company, and have put a lot of myself into it. I am committed to leaving it in good shape.

"As far as politics go, I have a given interest in the public sector, and who knows, some day – if I'm not too long in the tooth – that is something I might look at."

Mr Norman brushes aside suggestions he will be Conservative candidate for his local Harrogate constituency at the next election. But he is understood to be on the party's 600-strong "A" list of parliamentary candidates.

Retail observers suggest Mr Norman may wait until at least 1997, when he should collect £2m from maturing share options, on top of his existing £3.2m paper profit from exercisable options. That would be too late to fight the next general election which must be held before mid-1997, but he might then seek to enter parliament through a by-election.

Mr Norman's organisational and motivational skills could be welcomed at Conservative Central Office, especially if the party were to find itself in opposition. For the unlikely shoppers' champion, the next challenge might be doing for the Conservatives what he has done for Asda.

LETTERS TO THE EDITOR

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WTO's aim is constructive approach on labour

From Mr Renato Ruggiero.

Sir, I read with interest your story "WTO chief tries to avoid confrontation" (December 14), which said that, during my report to the World Trade Organisation general council on development in the trading system, I "made clear [my] opposition to moves to raise the controversial issue of trade and labour standards". I would like to make clear that the issue is not one of any personal opposition to this question or, indeed, any other questions which WTO members may wish to see discussed.

My views, which were reflected well later in the article, are simply dictated by a desire to ensure that we prepare for the Singapore ministerial meeting next year, and for the future agenda of the WTO in general in a manner which avoids confrontation.

This is the spirit in which, in all my public and private presentations of the "labour standards" issue, I have underlined the necessity for informal dialogue at a very early stage.

In this way, I believe we can help ensure that if the issue is raised to Singapore it is dealt with constructively and on the basis of consensus.

Renato Ruggiero,
director-general,
World Trade Organisation,
154 rue de Lausanne,
1211 Geneva 21,
Switzerland

Fair system on liability

From Mr Brian Currie.

Sir, The recent judgment against BDO Binder Hamlyn "Accountants hit by top damages", December 7) and the indication that accountancy practices may be considering offshore registration of their businesses to protect partners' personal assets have both received extensive press coverage in the past week or so.

Both these developments reinforce our view that there is a need to move as a matter of urgency towards the introduction of a fairer system of liability for auditors.

Our case is a simple one. It is right that auditors should be liable to the extent of their responsibility for any losses that may have been suffered.

The present method of determining liability, under which auditors are held jointly and severally liable with other parties, is, however, fundamentally unfair in that auditors can end up being held financially liable, not only for their own mistakes, but also for the mistakes of others.

That is why we are seeking reform of joint and several liability and the right for auditors to be allowed under company law the normal commercial freedom to agree reasonable limits to their liability, subject to adequate safeguards for the interests of the shareholders.

Brian Currie,
deputy president,
The Institute of Chartered Accountants,
PO Box 433,
Chartered Accountants' Hall,
Moorgate Place,
London EC2P 2BJ, UK

Euro lacks pedigree and inspiration

From Mr Brian H. Gill.

Sir, It is depressing that EU council members have failed to heed the practical criticisms and workmanlike comments of the British prime minister ("EU backs Euro as name for single currency", December 16/17).

Surely the only important convergence criterion for the future health of Europe is that of joblessness. Eurostat figures suggest the current benchmark looks to be Luxembourg and Austria. If the federal US can contrive to keep its unemployment down to 6 per cent or so, why should Europe not manage the same? Should one ponder that the name of its currency, the dollar, had a strong historical pedigree when it was chosen?

Brian H. Gill,
261 Grove Street,
Deptford Wharf,
London SE8 3PZ, UK

From Mr Christopher Fell.

Sir, I recall that about 15 years ago you published my suggestion that a suitable name for a unit of European currency would be the £OONY. In 1967 Milton Friedman had pointed out that in the long term there was no choice between unemployment and inflation but Margaret Thatcher had not by then categorised both as evils; my recollections are that thought was being devoted to how people should occupy the increase in leisure arising from economic growth.

Agreement among Europe's leaders to the Euro as a name for a currency seems an insufficiently inspired response to our problems.

Christopher Fell,
Crown House,
Newport,
Essex CB11 3TH
UK

From Dr H.W.K. Acheson.

Sir, The only possible name for subdivisions of the Euro is Peans: 100 peans = 1 Euro.

H.W.K. Acheson,
Braefarth, Elterwater,
Ambleside, Cumbria, UK

From Mr Brian H. Lait.

Sir, I would like to congratulate our magnificent European leaders in their selection of Euro as the new name for the EU currency. Very intellectual.

Important news is slow to reach here, but I assume that the plural is Eurine and that to trade in it is to Eurinate? Logic must prevail. After all, we will not be able to spend pennies once the Euro is introduced.

Brian H. Lait,
managing partner,
Deloitte & Touche,
Splaiul Unirii 6,
75101 Bucharest, Romania

Collapse did not materialise

From Mr Ahmed Al-Ibrashy.

Sir, James Whittington's report "Radicals frustrated by Egyptian poll" (December 13) stated that "Mr Mubarak is now determined to marginalise all real and imagined dissenting voices." He also said that "most diplomats and foreign companies in Cairo agree that risk of instability has increased as a result of the elections".

Yet earlier in his report James Whittington said that "only two years ago diplomatic missions and foreign companies in Cairo were drawing up contingency plans for the collapse of President Hosni Mubarak's government under a wave of Islamic insurgency". It is now clear that this so-called "collapse" did not materialise, and that these diplomatic sources were as wrong then as they are now in making such sweeping statements.

The story also contradicts James Whittington's report of July 31 ("The hangover after the rave in Cairo") which concluded that Egypt's economic climate had "all the ingredients of a success story". Could this have been achieved on the brink of a "collapse"?

Ahmed Al-Ibrashy,
press counsellor,
Egyptian Embassy,
2 Harewood Place,
London W1R 9HB, UK

More 'they' than 'we'

From Mr Christopher F Penn.

Sir, "We have had tremendous success keeping inflation down," the governor of the Bank of England is reported as saying in the FT Interview (December 18).

Surely, does not the low rate of inflation owe little to what "we" have done and much to competition from low-cost, high-quality goods produced in the low-wage economies of Asia?

Christopher Penn,
Pendle,
Burdenshot Hill,
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FINANCIAL TIMES

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Wednesday December 20 1995

Wall Street gets broody

The US economy has been the last refuge of the optimist over the past few months. While Europeans have been nervously wondering whether this year's "pause" in growth will be next year's recession, financial markets in the US believe things can only get better. But US investors have not merely hoped for the best – they have bet large amounts of money that certain highly favourable events would occur at or around the end of the year. That has left them prone to rapid – and destabilising – second thoughts.

The longer the US economy stands out from the crowd, the better it will be for Europe'e overstocked producers. The pessimism about the European slowdown can be overdone. But continued non-inflationary growth in the US next year, pushed along by falling real interest rates, would have welcome knock-on effects for exporters to that market.

For its part, the Organisation of Economic Co-operation and Development would probably be rather more downbeat in its latest survey of economic prospects were it not for the promising signals from the US. The organisation now expects US GDP growth of 3.3 per cent this year and 2.7 per cent in 1996. This compares with expectations of 3 per cent and 2.5 per cent, respectively, only two weeks ago.

The US is the only member of the Group of Seven leading industrial countries to have had its forecest revised upwards since June. The others have been revised downwards – sharply, in some cases.

The markets' sense that the US has put its own, earlier slowdown behind it could be self-fulfilling. With the Dow Jones Industrial Average up 35 per cent over the first 11 months of 1995 and long-term interest rates down by more than 2 percentage points, consumers and companies are likely to spend and invest more.

Yet a good deal of investors' exuberance is based on counting chickens that they might have waited to see hatched: the safe passage of an agreement to balance the federal budget over the next seven years; and, as a reward, a further cut in short-term interest rates by the US Federal Reserve. The Dow fell 100 points on Monday as investors began to worry that neither would occur soon.

The Federal Reserve, which yesterday cut the interest rate on Federal funds by a quarter of 1 per cent, to 5½ per cent, may yet regret loosening policy before President Bill Clinton and Congress had settled their budgetary differences. It is not obvious that the economy needs another monetary boost, although it is difficult to argue that a cut of this size will make much difference either way.

What the US needs more is for its fiscal house to be put in order. Even after yesterday's rate cut, the immediate outlook for the world economy seems to rest, to an uncomfortable degree, on whether Mr Clinton and Congress can persuade investors that this unlikely event has occurred.

Not West

As one of the most heavily regulated retail banking markets in the world, the United States ought to have been a happy hunting ground for efficient foreign banks used to operating in e more competitive domestic environment. Yet in practice, the foreigners have failed to make much of tbe opportunity, as NatWest Group's proposed sale of NatWest Bancorp once again underlines. While the British bank has done well to extract its US subsidiary from its recent tronbles, this was not a happy investment for its shareholders. Nor were the other big British clearers notably more successful. Why did they find the going so rough in the US?

One obvious reason for the low return on their investment was that they overpaid at the outset. This was partly a case of poor timing. But it also arose from the belief that it was necessary to pay an entry premium. For some, the risk in overpaying was then compounded by gearing: because banks' assets and liabilities are supported by only a thin wedge of capital, balance sbeet ratios quickly deteriorate if the acquiring bank's capital is denominated in a depreciating currency. This was a particularly damaging feature of Midland Bank's acquisition of Crocker in California, which was very large in relation to Midland's own balance sheet.

Most foreign banks buying into the US experienced difficulty in controlling local management; and with Midland, Crocker was acquired on terms that prevented the purchaser from exercising proper control unless things went badly wrong, which, of course, they did. Assessing risk is hard enough at a distance of several thousand miles. Without adequate representation or reporting disciplines, it becomes impossible.

In practice, the most successful new entrants into US banking have not been foreigners but domestic non-banks, such as the securities groups that drained the US banking system of deposits in the 1980s by introdncing cash management accounts and money funds. Whether through regulatory inhibition, or lack of entrepreneurial energy and technological expertise, foreign banks failed to exploit the US banks' weakness tn the same way. Nor have foreign banks performed well in other developed countries.

If there have been cross-border successes in retail banking, they have tended to come from e transfer of expertise and technology from developed to developing countries. The former British colonial banks are one example. Another is Citicorp in Latin Amerlca. This surely makes more sense than ambitious acquisitions. In a world of liberalised capital flows, takeovers anyway pre-empt the shareholders' right to diversify their own portfolios for themselves. Even with hindsight, it seems odd that they were so tolerant of these deals at the time.

Weak links

With so much at stake in the Northern Ireland peace process, it might seem foolish for the Britisb government to lock borns with Dublin over the relatively modest matter of I£27m (£28m) in subsidies for a smallish steel plant. It is right to do so, all the same. The proposed subsidies would harm the Irish economy and serve as a bad precedent within Europe. They should also be irrelevant to wider Anglo-Irish relations.

Irish officials have been quick to suggest that London's opposition to their proposed subsidies to Irish Steel could cast a clond over Anglo-Irisb ralations. They have indicated that, without a resolution, Mr John Major'e planned informal visit to Dublin tomorrow could be called off, hinting that Mr John Bruton, the Irish premier, would find it difficult to play host while the fate of 330 jobs at the Cork plant hung in the balance. But London should resist such pressure.

Uoder European Union rules, steel subsidies are banned unless the European Commission and member etates unanimously agree to treat a particular case as an exception. Even then, exceptions can only be granted for specific types of aid – such as money for pollution controls. General subsidies were outlawed as long ago as 1985. There bas been some backsliding, notably in 1993 when member states supported a commission plan for grants to six plants in Italy, Spain, Portugal and Germany.

In that case the companies were at least required to cut capacity. The Irish Steel case is different. The aid is to be used to modernise the plant and increase output from 258,000 tonnes of hot-rolled long products this year to about 350,000 tonnes. Moreover, the state-owned plant would be sold to a private operator – Indian-owned Ispat International – which might wish to expand output further.

Recognising Ireland's concerns about preserving the country's only steelmaker and protecting jobs in Cork, the commission has approved Dublin's plan. Other member states are prepared to accept the proposals. Britain alone is refusing to do so, mainly because the UK's steelmakers, including British Steel, are Irish Steel's nearest competitors.

Not shy to employ scare tactics, British Steel warns it might close its Shelton plant if the rescue goes ahead. It does have particular reason to feel aggrieved. It has closed plants and cut thousands of jobs over the past 15 years. It is putting into practice the free-market rhetoric to which some other European producers and their governments have only paid lip service.

The European steel industry needs more restructuring rather than less, with output concentrated in the most efficient plants. Against this background, e state-funded increase in Irish Steel's output, albeit a small matter in itself, would set e bad precedent.

After the dress rehearsal

Yeltsin has to find new ways of winning voters' confidence after the Communists' victory at the weekend, says **Chrystia Freeland**

In the aftermath of the sweeping Communist victory in Sunday's parliamentary election, Mr Boris Yeltsin, Russian president, faces one of the most difficult challenges of his career. Although the parliamentary poll is unlikely to have much immediate practical impact, it is a dress rehearsal for the presidential vote due to be held in June.

If Sunday's voting pattern were repeated, Russia would face the alarming prospect of a run-off for the presidency between Mr Gennady Zyuganov, the Communist boss, and Mr Vladimir Zhirinovsky, the country's most extreme nationalist.

By overwhelmingly supporting Communists and nationalists, the Russian people have delivered a strong rebuke to Mr Yeltsin and the bold political and economic reforms he has implemented over the past five years.

Unlike the Soviet-era Communists, whose last effort to impose their dictatorial will on the Russian people was the failed hardline coup in 1991, the Communist party of Mr Zyuganov has returned to political prominence because it genuinely appeals to Russian voters. Mr Zyuganov has interpreted this week's results as "an effective vote of no confidence in the government" which showed Mr Yeltsin's reforms to have been "a dismal failure". The Communist chief has pledged to end Mr Yeltsin's "radical policies" and replace them with a programme that emphasises higher social spending. He also said he would challenge some of the swift privatisation of the Yeltsin era.

For the moment, Mr Zyuganov's declaration of total victory is premature and his power to implement his promises is limited. Although the Communists appear set to dominate the parliament, real authority is vested in the presidency. The true referendum on Mr Yeltsin's reforms will be the June presidential election.

Mr Yeltsin, who is in a sanatorium recovering from his second heart attack this year, has not yet said if he will stand, although his aides have hinted that the strong showing for the Communists makes a Yeltsin candidacy more likely. But in June either Mr Yeltsin or his chosen successor will have to find a way to defend the government'e record and neutralise the potent appeal of the Communists and nationalists.

To beat the Communists at the democratic game this summer, the Kremlin must take some quick decisions. The most difficult concerns economic policy.

The single greatest reason for the swing to the Communists was discontent with the traumatic economic transition Russia has undergone. The economic reforms first launched by Mr Yeltsin's administration four years ago have transferred most of the Russian economy to the private sector, and this year's austere fiscal and monetary policies have brought down inflation, but the social costs have been high. According to official figures, the Russian economy continued to contract slightly this year after several years of sharp decline, and living standards have deterloreted because of this year's deep cuts in social spending.

As Mr Grigory Yavlinsky, leader of Yabloko, Russia's most powerful reform party, argued yesterday, it was the government's economic policy which produced a political victory for Communists and nationalists. "Forms of fighting inflation such as failure to pay pensions and wages, a macroeconomic policy which leads to a 22 per cent fall in investment and a 28 per cent decline in real incomes over the past six months – all these indicators show that by breeding poverty in this country the government is creating a political base for Communist movements and Zhirinovsky-type movements," said Mr Yavlinsky.

One response to the apparent public disgust with economic policy would be for the Kremlin to take Mr Yavlinsky's advice by relaxing its budgetary discipline and halting a privatisation programme which has provoked allegations of corruption.

There have been e few indications this week that the government might take a left-hand turn. In his eleventh-hour effort to stave off e Communist victory, Mr Victor Chernomyrdin, the prime minister and leader of Our Home is Russia, the pro-government party, made an awkward attempt to co-opt the Communist agenda.

Two days before the vote, the premier, who is known to favour Armani suits, appeared on television to speak about his difficult blue-collar childhood, when the Chernomyrdin family lived "from kopek to kopek". He was, he said, determined "to fight poverty".

This shift from fighting inflation to fighting poverty was echoed after the elections by Mr Alexander Shokhin, a leading Our Home is Russia politician and former Yeltsin cabinet minister. Mr Shokhin said the election result showed "a certain shift to the left in Russian society" which required the government to make "changes in economic policy to take account of the fact that a certain social fatigue has set in, fatigue of the population".

But attempting to steal the Communist's constituency by mimicking their economic policy could be a dangerous strategy. Higher social spending over the next six months could jeopardise this year's two greatest achievements: lower inflation and a stable rouble. Moreover, even if the Kremlin showers money on Russia's dispossessed masses over the next six months, the government's last-minute largesse may not erase the memory of four lean years. Indeed, if it sharply alters its economic policy today, the government could face the worst of both worlds in June: high inflation, a collapsing rouble and an electorate which has not yet forgotten the pain of radical market reforms.

The alternative for Mr Yeltsin is to stay the course and hope that by June the benefits of a thriving market economy will outweigh the costs of building it. The strongest indications today are that this is the path the government will take. In his first post-election appearance, Mr Chernomyrdin pledged that "the government intends to continue its economic course" and vowed to bring down inflation and deliver economic growth next year.

A report by the Organisation for Economic Co-operation and Development yesterday offered some support for this approach, predicting that Russia's gross domestic product would grow by 2 per cent next year and inflation would be down to an annual 60 per cent, e considerable drop from this year's rate of 140 per cent. But events elsewhere in eastern Europe are not encouraging. Even after delivering a more robust economic upturn and lower inflation than Russia can hope for, the reformist governments of Poland and Hungary have been replaced over the past two years by Communists.

Mr Yeltsin's hard economic choice – between reforms which the voters rejected at the weekend and a return to high social spending which could destroy the accomplishments of reforms – is complicated by an equally messy political challenge. When Mr Yeltsin first came to power in 1991 it was as the leader of all of the democratic forces in Russia who had united to end seven decades of Communist rule. But five years later the democratic alliance has splintered into half a dozen parties, a development which has helped the Communists regain power in parliament by dividing the pro-reform vote.

Unfortunately, there is little evidence that the democrats will be able to bury personal political ambitions and field e single candidate for the presidency. Mr Yavlinsky, one of the country's leading advocates of reform, yesterday called on all democrats to unite ahead of the presidential ballot, but in the same breath he insisted that neither Mr Yeltsin nor Mr Chernomyrdin were entitled to call themselves democrats.

As yesterday's outburst suggests, Mr Yavlinsky's long-standing goal to become president makes it likely there will be at least two non-communist and non-nationalist contenders in the presidential race: Mr Yavlinsky himself and a pro-government figure, most likely Mr Yeltsin. If the reformers and the government fail to come together over the next six months the odds on a Zhirinovsky-Zyuganov run-off for the presidency would shorten.

The irony is that Mr Yeltsin and his reforms are vulnerable precisely because the president has defied the entire weight of Russian history and introduced democracy. But, like the leaders of the French revolution, Mr Yeltsin and the country's quarrelling reformers today have reason to fear that Russia's democratic revolution might devour its children in turn.

OECD forecasts for Russia

	1994	1995	1996	1997
Real GDP, % change	[illegible]	[illegible]	[illegible]	[illegible]
Inflation (%, Dec)	225	140	60	60
Unemployment (% of workforce)	6	8	9	10
Fiscal balance (% of GDP)	10.1	4.0	4.0	3.5
Current account balance ($bn)	[illegible]	[illegible]	[illegible]	[illegible]

Source: OECD

OBSERVER

Yen for mystique

■ So Japan's Emperor Akihito gets a rise in living expenses – for the first time in six years. Parliament has granted the imperial family an 11.7 per cent pay rise, which is more than most Japanese are being allowed this year.

A few curmudgeonly eyebrows were raised in Tokyo. But only a few. For Japan has one of the more economical monarchies in the business, and the imperial pay rise is merely in line with what civil servants have been getting ever since 1989.

The so-called inner court, comprising Akihito, Empress Michiko, their immediate family and 100 private retainers are to receive Y324m (£2m) annually – after tax deducted at source – from next April.

Set against the £60m or so that the British royal family and its 400-strong household cream off the much tinier UK economy every year, this is pretty modest stuff.

In fact, the imperial budget is roughly in line with the Scandinavian royals, derided in Britain as "bicycling monarchies" because of their workmanlike status. At the latest count, King Carl XVI of Sweden received £2m and his neighbour King Harald of Norway was paid the equivalent of £1.8m annually.

Japan's imperial economies go even further. In contrast to the Queen's vast estates, Japan's emperor does not even own his palace and its grounds in the centre of Tokyo. Those belong to the government, in line with article eight of Japan's postwar constitution, which says that the imperial house can receive no property without parliament's permission.

But despite the financial strictures, Japan's imperial court retains a tremendous dignity and mystique. No bicycle monarchy, this. Meanwhile, Britain's rich royals, with their much-publicised private lives, agonise over losing the same qualities.

A lesson bere somewbere?

Tug's exit

■ Derek Wanless, NatWest's chief executive, may not have got as much money as he wanted for National Westminster Bancorp. But et least he has got rid of one of his main rivals – John Tugwell.

Tugwell was one of the contenders for the top at NatWest when the group decided to skip a generation in 1992 and give the CEO's job to young Wanless. Tugwell was rewarded by being sent to the colonies, and, like many NatWest bankers before him has come to love the lifestyle. He was earning far more than he could back home, and had built up quite an empire.

Hence it came as a bit of a shock for Tugwell to learn that NatWest wanted to sell his US operation. He argued that the returns of NatWest's US bank were as good as any in the world. The terms of yesterday's sale may allow him some secret satisfaction.

Just three months ago NatWest's advisers had said it might raise $4bn from a sale; now, it is assured of considerably less. Perhaps Tugwell should have been allowed to soldier on?

However, Tugwell has been cast adrift from NatWest and will run Fleet's enlarged New York bank. His first job: to cut 1,800 jobs, most of them from the ranks of the bank he had just built up.

Christmas break

■ Staying out of the Euro is one thing. Staying out of Europe altogether can be a real strain on the nerves, especially with a neighbour like Sweden, which joined the European Union in January.

Norway, Sweden's smaller neighbour, made a point of staying out, and the two countries have been needling each other ever since. In Swedish elk-hunting country, the perversely-named province of Warmland, they have taken special delight in erecting huge star-encrusted signs reading "Välkommen till Europa".

Norway's response has been characteristically robust: a 5,000 per cent increase in import duties on Swedish muesli. On e less official level, Norway's banana smugglers have been flooding Sweden with cut-price bananas.

Whatever happened to the Christmas spirit? Next thing we know, Sweden will be accusing Norway of stooping to reindeer rustling.

Ancient history

■ Widespread relief this week from one set of French worthies that the strikes have drawn to a close. The delayed meeting of the country's economic and financial history committee can at last go ahead.

The subject of the next session? "The administration of finances under the ancien régime". So precisely how long has this meeting been delayed, then?

What's my line?

■ Steve Ronksley, 37, has a new job. He has been appointed "UK sales manager for Network Appliance, the Californian supplier of dedicated NFS data access servers which, with a throughput of 1143 NFS operations at 10m/sec access times, are claimed to be the world's fastest network file servers".

Perhaps Observer's just behind the times, but even after ringing the company and asking, we're still not sure what Steve's trying to sell.

Financial Times

100 years ago

Yankees close at the worst

Apprehension as to the possible outcome of the Venezuelan affair continues to be the predominant factor on the Stock Exchange.

As it is seen that the people of the United States are taking the President's rhodomontade seriously, it is recognised that what was originally a huge joke in the worst taste may develop into a serious ground of quarrel if the belligerent feeling aroused in the States does not cool down in a day or two, for a nation that has lost its head will fight over the most trumpery pretext.

Markets opened flat all round, and although the business doing was only small, it was all selling.

American paper is now being discriminated against in view of possibilities.

50 years ago

Trinidad oil wages

Wage increases for 14,000 oil workers in Trinidad, to cost the industry more than $1,000,000 a year, became effective yesterday with the signing of a new two-year agreement, which replaces one which expired last month.

FINANCIAL TIMES
Wednesday December 20 1995

Poll success may spur obstruction of legislation

Communists eye a third of seats in Russian Duma

By John Thornhill and Chrystia Freeland in Moscow

The Communist party strengthened its grip on the Russian parliament yesterday when election results showed it had done unexpectedly well in single-member constituencies which account for half the seats in the 450-strong lower house or Duma.

The Communists, who won almost 22 per cent of the popular vote in Sunday's parliamentary election, are now likely to secure about one-third of the seats in the lower chamber under Russia's complex electoral rules.

That will not enable the Communists to build a permanent working majority to frustrate the government, but they could forge temporary voting alliances to obstruct specific pieces of legislation.

Mr Vladimir Zhirinovsky, leader of the ultra-nationalist Liberal Democratic party of Russia, which came second with 11 per cent of the vote, said he would not form an electoral bloc with the Communists and would run an independent campaign for presidential elections in June.

Mr Victor Chernomyrdin, the prime minister, whose Our Home is Russia party came third yesterday met President Boris Yeltsin and ruled out any sweeping changes to the composition of the government.

The government's position was bolstered when the upper house of parliament gave final approval to a tough draft budget for next year. The lower house had already backed the budget before the elections.

Chernomyrdin inflation pledge Page 2
After the dress rehearsal ____Page 11

But Mr Grigory Yavlinsky, leader of the liberal Yabloko faction, the fourth party to have won more than 5 per cent of the votes, said he would oppose the government unless it changed its stringent economic policy.

The government's failure to pay wages and pensions on time and the fall in living standards had created a potential breeding ground for mass protest, he said.

With 195 of the 225 single-member constituencies declared, the Communists have won 49 seats and the closely allied Agrarian party has taken 19. Our Home is Russia and Yabloko are far weaker, with only 10 seats apiece.

The Communists are also likely to gain a further 97 of the 225 seats allocated by proportional representation, although the figure will be diluted if other parties pass the 5 per cent minimum needed for representation.

The final shape of the parliament may not be determined until next year when the 68 candidates so far elected on independent platforms make their voting allegiances clear.

The slowness of the central electoral commission in counting the 65m votes cast has raised concerns about fraud. But international observers have found nothing seriously amiss.

By last night, four parties had received close to 5 per cent of the vote – Women of Russia, a pro-government party with 4.7 per cent; Communists for the Soviet Union, a hard-line leftwing party with 4.6 per cent; the Russia's Choice, a reformist party with 4.4 per cent; and the Congress of Russian Communities, a moderate nationalist party with 4.2 per cent.

See Lex

Brussels guards options on entry rules for Emu

By Lionel Barber in Brussels

The European Commission yesterday left open the question of whether countries aspiring to join the single currency must, beforehand, be members of the exchange rate mechanism.

The statement underscores ambiguities in the Maastricht treaty's provisions for the switchover to a single currency, and reflects fears that a firm statement on the ERM could trigger upheaval in currency markets.

The terms of membership of European monetary union have become more controversial after last weekend's EU summit in Madrid, which christened the planned currency the Euro and agreed a blueprint for a phased launch between 1999 and 2002.

The British pound, the Finnish markka, the Italian lira and the Swedish krona are all outside the ERM. All countries except Britain have expressed the hope of taking part in the planned launch of the single currency on January 1 1999.

Mr John Major, UK prime minister, told MPs this week he would not recommend sterling returning to the ERM before the launch of the single currency or afterwards.

But he denied this pledge, made largely to appease Tory Eurosceptics, would bar sterling from entering monetary union. Membership of the ERM was not a precondition for membership of the single currency club, he said.

The Commission remained resolutely ambiguous yesterday, citing Article 109j of the Maastricht treaty which lays down targets for inflation, budget deficits, accumulated debt and exchange rate stability.

The article calls for "the observance of the normal fluctuation margins provided for by the exchange rate mechanism of the European monetary system, for at least two years, without devaluing against the currency of any other member state".

The difficulty arises in defining "normal" fluctuation margins following the abandonment in August 1993 of the ERM's 2.25 per cent and 6 per cent bands for member currencies in favour of 15 per cent bands. The decision followed a period of sustained currency turmoil, including the withdrawal of sterling and the lira in September 1992.

For the Commission to argue in favour of ERM membership could trigger speculation against currencies outside the mechanism. It could look like putting pressure on the UK government before the next election, to be held at the latest by April 1997.

But to soft-pedal on the requirement of ERM membership might also draw criticism from countries such as Germany, which insist on strict interpretation of the treaty.

THE LEX COLUMN

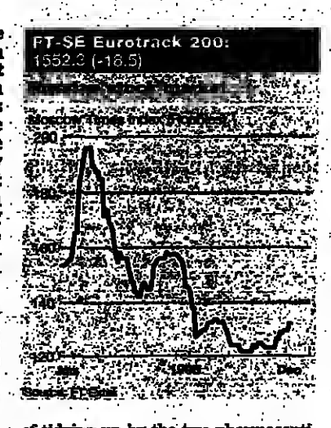
Backward steppes

The west may be in a lather over the Communists' strong performance in Russia's parliamentary elections, but the markets have taken the news in their stride. Both shares and bonds have risen since the poll – because the outcome of the elections could have been much worse. Communists may dominate the new parliament, but they will be hard pressed to win a majority on individual votes, even if they can persuade the nationalists to vote with them. And without a two-thirds majority against him, the president can overrule them anyway.

Precisely because the constitution gives the president so much power, the real worry for investors is what will happen when Mr Boris Yeltsin's term ends in June. A Communist or nationalist presidency remains unlikely, but not impossible.

Any attempt to put the capitalist genia back in the bottle would be doomed to fail, because whoever runs Russia will need western funds. The alternative – printing money – would simply fuel inflation, exacerbating the hardship which is the source of the hardliners' support. But for western investors, the implications of a Communist or nationalist presidency would still be dire – bad enough for political uncertainty to overshadow Russia's strong economic fundamentals until the presidential election is over. And in the meantime, the government could still decide to abandon fiscal stringency to buy votes.

For investors willing to live with these dangers, share prices look cheap. But few will have the stomach.



US interest rates

Yesterday's quarter point reduction in US interest rates may have alleviated any immediate pressure on bond and stock markets, but is probably not dramatic enough to trigger a further leg of this year's dramatic bull run. The money markets are still discounting a further ¼ to ½ point cut in the foreseeable future. This looks optimistic; the US Federal Reserve continues to strike a cautious note, and may move more slowly than the markets would like. Furthermore, the possibility that a definitive budget deal will not be agreed continues to hang over the market.

Glaxo/Warner-Lambert

Glaxo Wellcome's $1bn sale of its over-the-counter drugs to Warner-Lambert of the US looks like a neat bit of tidying up by the two pharmaceutical giants. The proceeds will make a useful dent in the debt mountain Glaxo took on to pay for Wellcome earlier this year and should help the enlarged group get back to a net cash position by 1998 – one year earlier than forecast. The disposal also rids Glaxo of a portfolio of mature, low-margin medicines inherited from Wellcome, where it has no particular marketing skills. For Warner-Lambert, which specialises in consumer healthcare, such products are meat and drink. The acquisition also gives it a bigger presence in Europe.

But Glaxo is not giving up on the over-the-counter market altogether. It is hanging on to the rights for lower strength versions of Zantac and Zovirax, its two best-selling prescription drugs. Both have been launched over the counter quite recently and offer high returns. Nonetheless, Warner-Lambert will continue to market both products and with the prospect of getting its hands on future Glaxo products it should be a highly motivated partner.

PolyGram

The atmosphere at PolyGram resembled that of a funeral more than a wedding yesterday. Shares in the Dutch entertainment group fell 9 per cent after it warned of a surprise drop in second half profits.

PolyGram released a reasonable set of explanations in its defence. The strength of the Dutch guilder, delays in some key record albums and a dearth of hit films have all hurt. *Four Weddings and A Funeral*, the surprise money-spinner of 1994, cost $5m to make and grossed $250m at the box office. There has been nothing comparable during 1995.

Having said that, PolyGram has not needed such excuses before. Investors have been worried about a possible slowdown for some time, but the group has always found new sources of growth – for instance, by taking compact disc manufacturing in-house. Now that it appears to have run out of tricks, the market will focus on the volatility of its music business. PolyGram has compounded this through expansion into films and television which, while strategically sound, have required heavy investment.

Even after yesterday's fall, the shares are trading on 18 times next year's earnings compared with 19 times for rival Thorn EMI. But Thorn's EMI Music may well face a takeover following next spring's demerger, while PolyGram is bid-proof since Philips owns a majority stake. PolyGram's premium rating should continue to erode.

NatWest

Any disappointment that NatWest's disposal of its US retail banking subsidiary failed to realise the $4bn-$5bn price tag originally pencilled in by analysts was overshadowed yesterday by relief that the deal had been done at all. In the event, the $3.56bn sale of NatWest Bancorp to Fleet Financial looks respectable enough, at about 1.7 times book value. Shooting for multiples of more than two times book – valuations achieved in other recent US bank deals – never looked realistic, given the need to write off goodwill. NatWest was right to take what it could get, rather than miss the opportunity to sell.

The danger now is that the management could be rushed into finding a use for the cash to mitigate the dilutive effect of the sale. The sellers' market which facilitated the disposal is conspiring against wise purchases in fund management and investment banking, areas where NatWest would like to expand. Giving money back to shareholders through a share buyback would help alleviate any such pressure. It might also help convince the market of the management's commitment to shareholder value. If so, NatWest shares, with a prospective yield about 15 per cent higher than the market, will start to look cheap.

Additional Lex comment on BTR, Page 17

Police question Bouygues chief in corruption probe

By Andrew Jack in Paris

Mr Martin Bouygues, chairman of Bouygues, the French construction group, was yesterday questioned by police in the latest in a series of high-profile corporate investigations in France.

Officers also raided "Challenger", the group's modernistic headquarters office complex in Saint-Quentin-en-Yvelines, west of Paris.

The questioning of Mr Bouygues at the offices of the judicial police in Nanterre, near Paris, was linked to a corruption investigation co-ordinated by Judge Philippe Courroye, based in Lyons.

The inquiry is believed to be connected to Judge Courroye's investigation, opened in 1994, concerning receipt and misuse of corporate funds, centred on alleged payments to Swiss bank accounts by a number of large French companies.

Mr Courroye has already interrogated Mr Pierre Botton, a Lyons businessman and son-in-law of Mr Michel Noir, the former mayor of the city, over the affair.

Mr Botton, Mr Noir and a number of other public figures were convicted on corruption charges this summer, but are appealing against the verdict.

The activities of a number of leading French companies, including Alcatel Alsthom, Lyonnaise des Eaux and Générale des Eaux, have been investigated by magistrates in the last two years.

Mr Bouygues apparently escaped attention initially, but in recent months at least five of the group's managers have been placed under investigation in connection with a range of different inquiries.

Judge Yves Madre is examining allegations made by Mr Phan Van Cuan, an engineer sacked by the group in 1993, that it had developed "Drapo", a computer software program designed to tap into its competitors' systems to discover how much they were bidding in public works tenders.

Police visited Bouygues' headquarters in July in relation to the Drapo inquiry and attempted to see Mr Bouygues, but since he was overseas, they were met by Mr Pierre Richard, deputy chairman, who has been placed under formal investigation along with four other managers.

In another investigation, Mr Patrick Leleu, managing director of Bouygues Télécom, and Mr Philippe Renaud, group treasurer, were placed under formal investigation this month by Judge Jean-Marie Charpier over allegations of false billing in the construction market in the Paris region.

Separately, Mr Patrick Le Lay, head of TF1, the leading private television company, was held overnight in police custody in November in relation to allegations that the station paid FFr10m ($2m) in bribes in 1990 in order to retain its exclusive rights to broadcast the official state lottery results. Mr Le Lay is a director of Bouygues, the controlling shareholder in TF1.

Bouygues' share price fell FFr19 before recovering to close FFr14 lower on the day at FFr480.

Fleet buys NatWest Bancorp for $3.56bn

Continued from Page 1

continue over a maximum of eight years, but NatWest expects them to be completed in four years.

NatWest will retain a $315m portfolio of loans, as well as a Manhattan building occupied by NatWest Markets and valued on Bancorp's books at $85m.

Mr Murray said Fleet did not intend to issue the common and preferred stock, but wanted a "safety valve" in case its regulatory capital should not be as strong or desirable when the deal was completed.

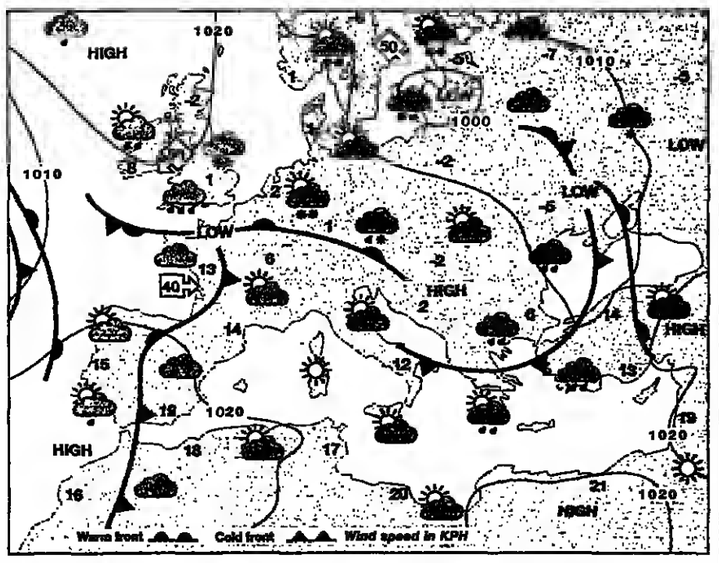
FT WEATHER GUIDE

Europe today

The east coast of Scotland and northern England and northern half of the Benelux will have wintry showers. Mild and moist air south of a frontal system over northern France will bring cloud and rain to northern France, the south coast of England and the southern half of the Benelux and Germany. The Alps and southern Germany will have snow. Scandinavia will remain very cold, with snow showers along the Norwegian coast and east coast of Sweden. The Mediterranean area, except the south-east, will be mainly dry and sunny.

Five-day forecast

Wintry conditions will prevail over northern Europe. Cold air from the north will meet mild air from the south-west, causing heavy rain and snow over western and south-west Europe on Friday and Saturday. Western Europe will be very cold, while the Mediterranean will remain mild and generally fair until the weekend. Italy and Greece will have some showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius													
Abu Dhabi	cloudy	22	Beijing	sun	2	Caracas	fair	30	Faro	rain	19	Madrid	rain	12	Rangoon	sun	31
Accra	sun	31	Belfast	cloudy	5	Cardiff	drzzl	8	Frankfurt	drzzl	3	Majorca	fair	17	Reykjavik	fair	0
Algiers	fair	19	Belgrade	sleet	2	Casablanca	rain	20	Geneva	fair	4	Malta	fair	16	Rio	cloudy	28
Amsterdam	cloudy	5	Berlin	cloudy	0	Chicago	sleet	3	Gibraltar	rain	16	Manchester	cloudy	8	Rome	fair	13
Athens	shower	16	Bermuda	fair	20	Cologne	drzzl	4	Glasgow	fair	3	Manila	shower	29	S. Frncb	fair	13
Atlanta	rain	15	Bogota	shower	16	Dakar	cloudy	27	Hamburg	cloudy	1	Melbourne	shower	17	Seoul	fair	4
B. Aires	sun	33	Bombay	sun	33	Dallas	fair	6	Helsinki	snow	-7	Mexico City	fair	19	Singapore	rain	31
B.ham	drzzl	4	Brussels	drzzl	5	Delhi	sun	24	Hong Kong	cloudy	20	Miami	fair	28	Stockholm	cloudy	-5
Bangkok	fair	34	Budapest	cloudy	1	Dubai	shower	20	Honolulu	fair	31	Milan	fair	7	Strasbourg	fog	3
Barcelona	fair	15	C.hagen	cloudy	0	Dublin	drzzl	7	Istanbul	rain	12	Montreal	cloudy	-8	Sydney	fair	24
			Cairo	fair	18	Dubrovnik	rain	11	Jakarta	shower	31	Moscow	cloudy	-8	Tangier	rain	18
			Cape Town	fair	21	Edinburgh	fair	4	Jersey	rain	10	Munich	cloudy	1	Tel Aviv	fair	18
									Karachi	fair	29	Nairobi	fair	25	Tokyo	fair	9
									Kuwait	cloudy	15	Naples	shower	13	Toronto	snow	-8
									L. Angeles	sun	18	Nassau	fair	27	Vancouver	cloudy	7
									Las Palmas	cloudy	23	New York	sleet	3	Venice	shower	8
									Lima	fair	24	Nice	fair	14	Vienna	cloudy	2
									Lisbon	rain	16	Nicosia	fair	15	Warsaw	snow	-2
									London	cloudy	7	Oslo	fair	-3	Washington	sleet	4
									Luxbourg	cloudy	2	Paris	cloudy	6	Wellington	fair	17
									Lyon	fair	3	Perth	shower	24	Winnipeg	fair	-9
									Madeira	shower	21	Prague	rain	2	Zurich	cloudy	2

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FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday December 20 1995

IN BRIEF

Whirlpool renews profits warning

Whirlpool of the US, the world's biggest producer of white goods, has issued its second profits warning in six months. It said shipments in Germany and France, making up half its European business, were down by close to a third in recent months. Page 20

Kvaerner retires to consider its position
Kvaerner, the Norwegian shipbuilding and engineering group, would decide "in the first months of the year" what to do with its 26 per cent stake in Amec, the UK construction company it failed to acquire in a £380m ($569m) hostile takeover bid, Mr Eric Tonseth, Kvaerner chief executive, said. Page 14

Polish bank shares make London debut
Bank Gdanski became Poland's first financial institution to have its stock quoted on the London Stock Exchange through Global Depositary Receipts, at the close of its successful sale through the government's privatisation programme. Page 14

LG in pole position to control Dacom
The LG group, one of South Korea's biggest conglomerates, appeared to have won a controlling stake in Dacom, a leading domestic telecom company. Page 16

Danish group wins Vietnam contracts
Christiani & Nielsen, the Danish civil engineering company taken over by its Thai subsidiary in 1992, announced it had won two contracts in Vietnam. The news comes as a lift to Asian operations, which are financing continuing losses in Europe and emerging problems in Thailand. Page 16

Eurotherm reports 31% annual increase
Eurotherm of the UK underlined its claim to be one of Europe's fastest growing industrial controls manufacturers by reporting a 31 per cent increase in profits to £34.1m ($53.8m) in the year to October 31. Page 17

Forte's White Hart hotel sale stalls
Forte's plans to sell the White Hart chain of hotels were dealt a setback yesterday when the UK hotel group's preferred buyer's financial backer pulled out. A deal to sell the chain to a management buy-out team was widely expected to be concluded this week. Page 18

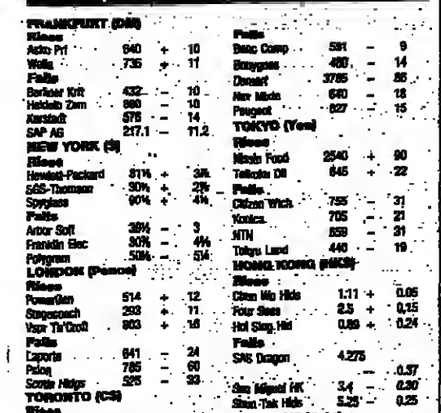
Greek fish farmers forecast record harvest
The harvest at Greece's 220 fish farms peaks in December, when the plumpest sea bass are exported to Italy and expatriate Italians in northern Europe as a Christmas delicacy. Greek fish farmers predict a record harvest this year amounting to 16,000 tonnes of sea bass and gilthead bream. Page 19

TAG sells minority stake in watchmaker
TAG, the Saudi-owned investment group, has sold a large minority stake in TAG Heuer, its Swiss watchmaking subsidiary, for about SFr500m ($435m) but retains 44 per cent of the company and overall control. Page 20

Companies in this issue

Market Statistics

Chief price changes yesterday



FRANKFURT (DM)			
Rises			
Adlo Prl	640	+	10
Wella	735	+	11
Falls			
Berliner Kraft	432	–	10
Heidelb Zem	660	–	10
Karstadt	576	–	14
SAP AG	217.1	–	11.2
NEW YORK ($)			
Rises			
Hewlett-Packard	81¼	+	3⅛
SGS-Thomson	30⅝	+	2⅝
Spyglass	90¼	+	4⅛
Falls			
Arbor Soft	3⅝	–	3
Franklin Elec	30⅝	–	4⅝
Polygram	50⅝	–	5¼
LONDON (Pence)			
Rises			
PowerGen	514	+	12
Stagecoach	293	+	11
Vspr Th'Crd	803	+	18
Falls			
Laporte	641	–	24
Pilkg	785	–	60
Scottish Hdgs	526	–	33
TORONTO (C$)			
Rises			
Carib Utl	12¾	+	¼
Hovemingtnd	54¼	+	3¼
PC Bancp Grp	22¾	+	1½
Falls			
Bendis Inc A	12	–	¼
Nth West Co	8	–	¼
Simsonds Cap	6¾	–	⅛
PARIS (FFr)			
Rises			
Erdola S Say	838	+	15
Falls			
Banc Comp	591	–	9
Bouygues	480	–	14
Dassult	3785	–	85
Nav Mixte	640	–	18
Peugeot	827	–	15
TOKYO (Yen)			
Rises			
Nissin Food	2540	+	90
Teikoku Oil	845	+	22
Falls			
Citizen Watch	755	–	31
Konica	705	–	21
NTN	559	–	31
Tokyu Land	446	–	19
HONG KONG (HK$)			
Rises			
Citic Ptc Hldg	1.11	+	0.06
Four Seas	2.3	+	0.15
Hol Sing Hld	0.89	+	0.24
Falls			
SHS Dragon	4.275	–	0.37
Sun Hldgs HK	3.4	–	0.30
Sun Tak Hldg	5.25	–	0.25
BANGKOK (Baht)			
Rises			
Krungthep	144.0	+	12.0
Tech Appl	17.5	+	1.5
Thai Fast Et	18.25	+	1.5
Falls			
Keohinoor Kirby	55.0	–	5.0
Siam Com Life	36.25	–	3.75
Sob Sri Thai	43.25	–	4.25

New York and Toronto prices at 12.30pm.

Boeing plans production increase

By Richard Tomkins in New York

Shares in Boeing jumped $3 to $75¾ in early trading yesterday – a rise of 4 per cent – after the world's biggest aircraft maker indicated the long recession in the world civil aircraft industry was coming to an end.

Boeing's commercial aircraft division expected to increase production of passenger aircraft from the fourth quarter next year, partly reflecting recovery from a 10-week strike but also reflecting increased demand for aircraft.

If fulfilled, it means that Boeing's output of civil aircraft will start rising again in next year's fourth quarter for the first time since 1992. In the first nine months of this year, output was down from 214 aircraft to 170.

Mr Ron Woodward, the division's president, said: "This is a positive sign, to see the beginning of an upswing in production rates. It reflects the turnround that our airline customers are experiencing and underscores the positive long-term outlook for our industry."

Production in this year's fourth quarter was hit by a 10-week machinist's strike which ended last week. But Boeing's statement indicated that the planned production increases amounted to more than a one-time bounce-back from a depressed quarter.

Production levels were expected to recover to pre-strike levels during next year's first quarter, the company said. After that:

- Boeing 737 production will increase from seven to 8½ aircraft a month starting from next year's fourth quarter, reversing a decision to reduce output to five aircraft a month from next April.
- Boeing 747 production will increase from two to 3½ aircraft a month from next year's fourth quarter.
- Boeing 757 production, previously due to fall from four to three aircraft a month next June, will fall in September instead.
- Boeing 767 production will rise from 3½ to four aircraft a month starting from next year's fourth quarter.
- Boeing 777 production, due to be 3½ aircraft next September, will rise to five a month in 1997.

The expected bounce-back in production levels reflects an improvement in the financial condition of the world's airline industry, which has recently benefited from rising passenger numbers and higher fares.

Overcapacity remains a problem in many markets, but the airlines' improved profitability has led some operators to consider a cautious expansion or renewal of their fleets.

PolyGram shares fall 9% after flat profits forecast

By Alice Rawsthorn in London

PolyGram, the world's largest music group, yesterday warned that net profits would be static in 1995 because of adverse exchange rates, a dearth of successful films and the delay in the release of a number of albums.

Mr Alain Lévy, president, said the group had hit "a cold spell" in the second half of this year. He stressed that PolyGram, one of the entertainment industry's strongest performers in the 1990s, would "continue to deliver its pattern of success in the future".

However, PolyGram's shares fell Fl 8.30, or 9.2 per cent, to Fl 81.50 in Amsterdam on yesterday's announcement. Shares in Philips, the Dutch consumer electronics company which controls PolyGram, fell Fl 2.00 to Fl 55.80.

This summer, PolyGram forecast profits growth for the second half when it announced a 15 per cent rise in net income to Fl 270m ($170m) for the first six months of the year on sales up 11 per cent to Fl 4.02bn.

However, the group has since been affected by the strength of the Dutch guilder, which has risen 9 per cent this year against its key trading currencies, the US dollar, yen and sterling.

PolyGram's record labels have had hits in the second half, but the release of several albums has been postponed until next year, making it difficult for the music division to surpass its 1994 performance, when 29 albums sold more than 1m copies worldwide.

Similarly, the film division, founded in 1991, has not matched its 1994 successes, *Four Weddings And A Funeral* and *Priscilla: Queen of the Desert*.

As a result, Mr Lévy cautioned that PolyGram was unlikely to improve on 1994's performance, when pre-tax profits rose 16 per cent to Fl 1.08bn on sales up by the same amount to Fl 8.6bn.

He is confident of a return to profits growth next year, when PolyGram will release albums from some of its best-selling artists. Its film schedule is also stronger, including an adaptation of the Henry James novel, *Portrait Of A Lady* by Jane Campion, director of *The Piano*.

Lex, Page 12

High hopes: Nicole Kidman in PolyGram's Portrait of a Lady

Glaxo sells $1bn stake in venture to Warner Lambert

By Richard Waters in New York

Glaxo Wellcome, the UK pharmaceuticals group, yesterday pinned its future squarely on the prescription drugs business as it announced the $1bn sale of its interest in a joint venture over-the-counter drugs company.

The company has agreed to sell its interest in Warner Wellcome, a joint venture formed two years ago with Warner Lambert, the US drugs and consumer products company. The joint company, created just before Glaxo's takeover of Wellcome, was set up to market Wellcome's non-prescription products around the world, along with some of Warner Lambert's.

The sale was intended to focus Glaxo Wellcome's efforts on "discovering and developing prescription products", the company said.

However, the UK group will continue to have a significant financial interest in the development of over-the-counter markets for its existing and future prescription products. Yesterday's sale of the joint venture stake will not affect the arrangement under which Warner Lambert will market the over-the-counter version of Zantac, Glaxo Wellcome's big-selling anti-ulcer drug, with the profits shared between the two.

Also, Zovirax, the Wellcome herpes drug, will not be included in the joint venture company being sold to Warner Lambert, but will be marketed under a similar arrangement to Zantac. Future over-the-counter versions of other prescription drugs would also be marketed through Warner Lambert, the UK company said.

Warner Lambert said it was to pay $1.05bn in cash to buy the Warner Wellcome stake, which gave the UK company 30 per cent of the profits generated in the US and 50 per cent elsewhere.

Sales of these products were expected to amount to about $360m this year, Warner Lambert said.

Together with the US company's own products and sales from Zovirax, the joint venture company would have sales of about $1.6bn for the year.

Lex, Page 12

Hungary to give up control of Matav

By Virginia Marsh in Budapest and Michael Lindemann in Bonn

Hungary is today expected to sell a further stake of up to 40 per cent in Matav, its partially-privatised telecommunications company, to a US-German consortium, becoming the first former eastern bloc country to give up majority control of its national telecoms operator.

A senior government official said last night that Ameritech, the US regional operator, and Deutsche Telekom which already hold a 30.3 per cent stake in Matav, would pay $850-$880m to increase the stake.

The deal ends months of negotiations between the Hungarian authorities and Magyarcom, the consortium formed by Ameritech and Deutsche Telekom in 1993. Then, the two companies paid $875m for a 30.3 per cent stake and significant management influence at Matav, one of Hungary's blue chip companies.

Magyarcom is today expected to raise its stake to 60-70 per cent. However, officials said the consortium would undertake to float the company at a later date and reduce its stake to around 51 per cent.

Officials also indicated that Deutsche Telekom may take a majority stake in Magyarcom following today's planned agreement because Ameritech wanted to scale down its commitments in eastern Europe. Both operators are keen to establish a strong position across Europe before telecoms services are liberalised in 1998.

Ameritech last week led a three-way consortium including Singapore Telecom which paid $2.57bn for a 49.9 per cent stake in Belgacom, the Belgian operator. Ameritech and Deutsche Telekom both made an unsuccessful bid earlier this year for 27 per cent of SPT Telecom, the Czech national operator.

The Hungarian state is due to retain a 25 per cent stake plus one vote in Matav with management and employees also due to be offered shares.

Magyarcom blocked an initial public offering of Matav shares last year as the price would have been lower than what it had paid. This would have forced Ameritech and Deutsche Telekom to write down their investment at a loss.

APV Rt, the state privatisation agency, is being advised on the sale by CS First Boston, the investment bank.

Desktop alliance, Page 20

Management team buys Dunlop for $462m

By David Wighton in London

Dunlop Slazenger, one of the world's leading sporting goods manufacturers, is to be sold to a management buy-out team for more than £300m ($462m) by BTR, the UK industrial conglomerate.

The management is backed by CINVen, the UK venture capital group which was recently the subject of a management buy-out from British Coal.

Dunlop Slazenger claims to be the world number one in tennis balls and with Maxfli has one of the leading golf ball brands. It makes other tennis, golf, squash and badminton equipment and is the UK distributor for Puma, the German-based sportswear company.

The City of London had been expecting a sale for some time, given BTR's new focus on industrial manufacturing. Last month, BTR raised £330m from the sale of Tilcon, its UK aggregates arm. The proceeds will reduce borrowings after the £2bn buy-out of minority shareholders in its Australian arm, BTR Nylex.

The sale of Dunlop Slazenger is likely to be BTR's last deal before Mr Alan Jackson retires as chief executive at the end of the year, when he hands over to Mr Ian Strachan.

Mr Jackson said BTR had not been actively marketing Dunlop Slazenger but that CINVen had come to it with a good offer. "We took a very cautious approach to selling it because the people are very valuable." It will continue to be run by the existing management under Mr David Jacobs, chief executive.

City analysts welcomed the sale, which they said would not dilute BTR's earnings per share. Dunlop Slazenger, which is still recovering from the recession and the downturn in the German tennis market, is believed to have made profits of less than £20m on sales of about £300m last year.

Dunlop has been criticised for failing to exploit the strength of its brand name, both before and after its acquisition by BTR in 1985 and analysts said it might benefit from a change of owner. Dunlop Slazenger was BTR's only remaining branded consumer product business, after the sale of its Pretty Polly hosiery subsidiary in 1991.

Lex, Page 12

Barry Riley

Spoiling tactics at the Christmas party

It's a decent year when the global government bond indices return 18.5 per cent and the world stock market indices about 17 per cent (both in dollars, to date). But a year-end sell-off is always expensive for investment managers, who are paid a percentage of the value of the portfolios they run. Perhaps that is why it seldom happens. Yet it did on Monday.

Can we blame the hedge fund managers? They are paid 20 percentage points of the portfolio *gains* rather than, say, 20 basis points of the *value*, so they have a strong incentive to bank some profits safely by Christmas. This applies very much to bonds as well as US equities this year.

Moreover, investment managers may be trying to second-guess some of the over-publicised seasonalities in the markets. The "January effect" in US equities failed to appear this year after a strong December (in fact January was one of the dullest months of the year for Wall Street) and when investors pushed the Dow Jones Average to an all-time peak a week ago they may have been pre-empting the normal Christmas/New Year rally.

Looking on the bright side, at least some top-slicing in late December might leave a little more scope for the markets to continue to perform in 1996, a year which will open with precious little value left in securities prices in several of the leading markets.

Certainly, value managers have had a rotten time in 1995. They have been left to cool their heels in some poorly-performing sectors, bolstered in the short term only by the hope of being bailed out by takeover bids. The growth managers, meanwhile, have been happy to chase a variety of themes including technology, sector rationalisation and global market opportunities.

The point about growth is that there is no obvious limit to share prices. A 20 per cent rise in a price can be justified by a 1 or 2 percentage point increase in long-term growth assumptions. So, whereas a market priced on value-based criteria is very much restrained by historical levels of, say, yield or price-to-book ratio, the growth managers – given enough liquidity – can soar into the stratosphere more or less unhindered.

> Value managers have been left to cool their heels in some poorly-performing sectors

Thus, at recent market levels in the US, dividend yield has been eliminated as an investment consideration – the yield on Coca-Cola, for example, is little more than 1 per cent.

Why investors should have lost concern about income is a moot point, although the fact that so much personal investment in equities is nowadays through rolled-up savings plans rather than direct stock ownership may have something to do with it.

There are echoes of the 1980s bull market in Tokyo in this preoccupation with growth and capital gains. But an irony of late 1995 is that Japanese equities now yield more than the short-term money market interest rate.

Given that the latter is only 0.5 per cent, it is not saying very much, but it is theoretically possible to invest in Japanese equities using borrowed money and enjoy a running profit out of the 0.9 per cent dividend yield. It is arguably a less risky punt than borrowing to buy five-year bonds yielding 1.4 per cent, which is the bankers' preferred easy option.

Much juicier is to borrow yen and buy US or German paper yielding 6 per cent. Yen can argue that if the Bank of Japan is really determined to pump out liquidity until it has succeeded in creating inflation and currency depreciation there is next to no risk in such a straddle. In fact, you can argue that this cross-currency strategy is actually *safer* than leveraged positions in Japanese bonds, because JGB yields are bound to rocket at some point if present policies are sustained. But then, in a bull market yen can argue almost anything.

A handy table in New Japan Securities' *Economic Weekly* reminds me that the worst errors in the consensus forecasts made a year ago for the end of 1995 were a JGB 10-year yield of 5 per cent (actual: 2.6 per cent) and a Dow Jones Average of 3910 (still over 5,000, after Monday's wobble).

That liquidity pumped into the Japanese bond market has been transmitted halfway around the world should not really have surprised us in these days of global markets, but surprised we are.

EUROPEAN NEWS DIGEST

GE Capital, EBRD in Hungary move

GE Capital, the financial services arm of General Electric of the US, and the European Bank for Reconstruction and Development said yesterday they had reached agreement with the Hungarian government to purchase a majority stake in Budapest Bank. Hungary's fifth-largest commercial bank, for $87m.

GE Capital will purchase a 27.5 per cent stake and will have operational control of the bank. The EBRD, which has now approved projects worth some Ecu1.05bn ($821m) in Hungary, will take 32.5 per cent. The buyers also have an option to increase their stake by a further 22 per cent within five-and-a-half years. Budapest Bank has assets of Ft215bn ($1.03bn) and 74 branches. The bank and the Hungarian government, which until yesterday's agreement held an 83.6 per cent stake, were advised jointly by Salomon Brothers and Lehman Brothers. *Virginia Marsh, Budapest*

Valeo shakes off earnings fears

Shares in Valeo fell yesterday amid market concerns about earnings at the French motor components group, but regained ground after the company maintained profit forecasts and said it was implementing a significant reorganisation aimed at improving competitiveness. After opening at FFr208.7, the company's shares plunged to a low of FFr194. However, the publication of a statement confirming predictions that net profits would be similar to the FFr990m ($200.6m) achieved in 1994, prompted a rally which took shares to FFr201.5 at the close.

The volatility reflected uncertainty about the outlook for the automotive sector as a result of slowing economic growth in France and yesterday's gloomy market forecasts from Mr Jacques Calvet, the chairman of Peugeot Citroën. According to the group, planned capital expenditure will total FFr5bn for 1996 and 1997, compared with an estimated FFr2bn this year. *John Ridding, Paris*

Hoechst details closures

Hoechst, the German chemicals group, yesterday named the sites it will close to eliminate 8,000 jobs worldwide in its drugs division. Management presented detailed restructuring plans to employees to explain its integration of Hoechst, Marion Merrell Dow and Roussel Uclaf. Sources close to the company said Hoechst Marion Roussel, Hoechst's drugs unit, planned to keep research at Frankfurt, Somerville in the US, Romainville, France and Kawagoe, Japan but close six other centres. It also conducts research at sites in Italy, the UK and Australia. More than half of its 77 production sites would be closed by the end of 1996. Further analysis would be conducted to assess whether more sites would be shut down. Sites in Spain, Brasil, Argentina and the US are expected to be closed. *Reuter, Frankfurt*

Securitas expands in Germany

Securitas, Europe's leading security group, yesterday acquired DSW Security of Germany for SKr670m ($101m). The deal, struck with the five private owners of DSW, will make the Swedish group the third-largest operator in its sector in Germany. DSW is expected to have sales of SKr1bn next year and pre-tax profits of SKr70m – adding to Securitas's existing German turnover of SKr500m. The acquisition was therefore struck at 1.5 times prospective sales and 9.5 times earnings.

Securitas said the purchase would increase group turnover this year by 14 per cent to SKr8.4bn on a pro-forma basis, with cash flow rising 10 per cent and profits inflated "slightly". *Hugh Carnegy, Stockholm*

Kvaerner retires to consider its position

By Hugh Carnegy in Stockholm

Kvaerner, the Norwegian shipbuilding and engineering group, will decide "in the first months of the year" what to do with its 26 per cent stake in Amec, the UK construction company it failed to acquire in a £360m ($568.8m) hostile takeover bid, Mr Eric Tonseth, Kvaerner chief executive, said yesterday.

"Just now we are looking forward to the Christmas holiday," he said the morning after Amec defeated the Norwegian assault. "We may sell our shares or we may hold on to them. They could turn out to be an attractive investment – although that was not our original intention."

Kvaerner is left with an exposure to Amec of some £50m. It can afford to hold on to that for some time if it sees the prospect of a gain – either through Amec fulfilling the ambitious profits forecasts made during tha defence, or if the UK group becomes a bid target once more.

But Amec's successful defence felled Mr Tonseth's strategy of combining the UK group's big offshore construction and project engineering operations with those of Kvaerner, to widen the Norwegian group's international reach and balance its big shipbuilding interests.

Together, the two gronps would have been the biggest manufacturer in the British and Norwegian North Sea offshore construction markets, with about a 30 per cent share.

But Kvaerner won only 10.5 per cent acceptances for its 100p a share offer on top of the shares it had bought in the open market.

Eric Tonseth: denied Kvaerner was left looking vulnerable

Mr Tonseth insisted Kvaerner's overall strategic goals had not been undermined. "This was an opportunity to make a big jump. We missed that opportunity, but we will continue to work to expand in this [offshore] business."

He denied Kvaerner was left looking vulnerable because of its heavy dependence on the Norwegian sector, where investments are set to decline. "We are involved in more bidding than ever. We make more money in offshore construction than Amec, Trafalgar House and McDermott [of the US] put together."

Nevertheless, Kvaerner faces a tough task persuading investors it is on the right track. The markets were already worried by recent losses on big projects and falling margins in the shipbuilding industry before the bid for Amec was made. They reacted sceptically to that move, regarding it as a risky venture.

News of the bid's defeat did not reassure investors. Kvaerner B shares slid NKr6.00 yesterday to close at NKr199, well below the level of NKr216 they stood at when the bid was made last month – which in turn was 30 per cent down over the year.

"It is important for Kvaerner to get shareholder confidence back. I think they will now work hard at that," said Mr Thomas Wold, analyst at Enskilda Corporate in London.

The struggle with Amec was an unusual and uncomfortable experience for Kvaerner, unaccustomed like most Scandinavian companies to hostile takeover battles. UK politicians and the Indonesian government – with which Amec has important contracts – lobbied against the deal.

But Mr Tonseth said he was upset only by the way in which forecasts of substantial profits increases in 1996 were made without official commitments by Amec. "There will be a lot of eyes following them on that issue," he declared.

An approach that broke with usual practice

By Nicholas Denton, Andrew Taylor and Hugh Carnegy

Mr Brian Keelan, the SBC Warburg corporate financier, likes to start each deal with a genuinely blank sheet of paper. Sometimes fresh thinking works. Mr Keelan and the SBC Warburg team helped Southern Company of the US buy Sweb in the cheapest acquisition of any UK regional electricity company.

SBC Warburg's advice to Kvaerner, the Norwegian shipping group, has proved less successful. Kvaerner's £360m bid for Amec, the UK construction company, failed by a wide margin.

Mr Keelan's blank sheet produced a "first and final" bid. Institutions were given just 21 days to reply. It broke with tha UK's usual practice: bidders generally leave themselves room to increase offers and the takeover battle lasts 60 days.

Institutions felt the price of 100p a share was too low after some brokers increased their profits forecasts to £35m for 1996. SBC Warburg executives could find no other reason for their defeat.

SBC Warburg's complaint to the takeover panel about the private analyst briefings led to the resignation of Financial Dynamics as Amec's public relations adviser. But it failed to discredit expectations of higher profits. The defence, by NatWest Markets, acting as financial adviser, and Financial Dynamics, proved effective.

More intriguing was institutions' discontent about being "railroaded". One large shareholder told SBC Warburg, before Kvaerner's raid was launched, that the 21-day timetable would make no difference. But another institution said: "Wa considered the tactics a little arrogant. Institutions do not like being told to accept a price, or else."

SBC Warburg, in breaking with usual practice, was following the preference of its client. Mr Erik Tonseth, chief executive of Kvaerner, wanted the affair settled quickly. That brisk approach meshed with Mr Keelan's own impatience with the traditional way takeovers are conducted in the City. "It is apparently shocking to some commentators – if not institutions – to dispense with the 60 days' dance of the seven veils," Mr Keelan said.

Rival investment bankers say unusual strategies are in character for Mr Keelan, who also advised Trafalgar House on its controversial and unsuccessful bid for Northern Electric. A competitor is dismissive: "The record speaks for itself. Working from first principles has not always paid off."

Mr Keelan says that if he is regarded as a revolutionary, it is only because he starts with a blank sheet. Conservative UK institutions may have been less disturbed if SBC Warburg had done it by the book.

Deutsche Bank to change accounting standards

By Andrew Fisher in Frankfurt and Jim Kelly in London

Deutscha Bank will become the first German bank to make its performance fully comparable with other global financial institutions, by producing its accounts along Anglo-Saxon lines in accord with international accounting standards (IAS).

Germany's largest bank said yesterday it aimed to provide a better insight into its business development and financial results. "We shall satisfy worldwide calls for greater transparency and for company information of a higher quality," said Mr Jürgen Krumnow, a Deutsche Bank director.

Sir Bryan Carsberg, chairman of the London-based International Accounting Standards Committee said: "This is very good news. We have been making progress in Germany recently but this confirms the acceleration trend towards IAS."

IBCA, the European credit rating agency, also welcomed the move, calling it a significant break with the past. It expected other German banks to follow suit.

Deutsche Bank's 1995 results, to be published in March, will be its first to be drawn up on IAS principles.

However, to comply with German law, it will also produce results in line with the German commercial code (HGB), which takes greater account of creditors' rather than shareholders' interests.

One big change under IAS will be the disappearance of hidden reserves, made to strengthen the balance sheet and reduce the tax bill.

"It's a good move and should be welcomed," said Mr Stephen Lewis, European banking analyst at Union Bank of Switzerland. He said the absence of hidden reserves would lift overall profits.

Banks' risk provisions will also be made clearer through IAS. Deutsche will no longer offset loan loss provisions against profits on securities in the liquidity reserve. "This should give a much cleaner picture of credit quality," Mr Lewis added.

Mr Krumnow, the German representative on the IAS Committee, said: "Shareholders and providers of debt capital, financial analysts and the general public will all have an instrument at hand that permits comparison with other global banks."

Deutsche's decision to adopt IAS follows progress towards the standard by such German industrial companies as Heidelberger Zement, Schering and Bayer.

Polish bank stock makes its debut in London

By Christopher Bobinski in Warsaw

Bank Gdanski yesterday became Poland's first financial institution to have its stock quoted on the London Stock Exchange through Global Depositary Receipts, at the close of its successful sale through the government's privatisation programme.

The GDRs were priced at $9.95 on Seaq International in London, compared with initial public offer prices of $9.48 and 24 zlotys paid by foreign and domestic investors respectively. The stock makes its debut on the Warsaw bourse tomorrow.

BG is the fourth of Poland's nine regional commercial banks to be privatised. The sale, in which HSBC Investments acted as the adviser to the government, was rescued from weak local demand by Bank IG, a small, private, Warsaw-based bank which took a 24.07 per cent share of the bank's equity.

Bank IG, which largely provides corporate banking services, is now poised to forge a strategic alliance with the BG, whose retail branch network dominates northern Poland.

The foreign tranche, which amounts to 25 per cent of BG's equity, was underwritten by a consortium co-managed by HSBC and Daiwa Europe, with Schroders and Creditanstalt acting as co-leaders and SBC Warburg, MC Securities and Deutsche Morgan Grenfell in a supporting role.

Other institutions and small investors took up 2.3m shares, or 12 per cent of the equity. The sale sets the stage for the privatisation next year of Warsaw-based Powszechny Bank Kredytowy.

The BG sale was overshadowed by a controversial government decision to hand a residual treasury-owned 46 per cent share in privately-owned Bank Przemyslowo Handlowy to state-owned Bank Handlowy without consulting the European Bank for Reconstruction and Development or ING of the Netherlands, which hold substantial minority stakes in the bank.

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INTERNATIONAL COMPANIES AND FINANCE

Lingering death of AEG a lesson in mismanagement

Strategic errors and bad luck led to the demise of one of Germany's greatest industrial groups, says Wolfgang Münchau

AEG is being dismembered piece by piece. Soon, little but memories will remain of one of Germany's oldest and greatest industrial companies. Yesterday, Daimler-Benz, the group's parent, continued AEG's closing down sale, disposing of yet more of its divisions, this time its energy and industrial automation units. All AEG's businesses have been made separate legal entities to hasten the group's break-up. A few businesses will remain within Daimler-Benz, but by the end, the famished rump will need neither a head office, nor a name.

AEG's demise was not inevitable. Other German groups in similar sectors continue to prosper: Siemens, AEG's arch-rival, is doing better than at almost any time in its history. Rather, the tale of AEG's rise and fall is a classic case-study of how an under-capitalised business with poor management and a fair dose of ill-luck became a commercial disaster.

AEG had much going for it. The company had a fine record of innovation. It invented the first high-performance electric railway locomotive, the tape recorder and the Pal colour television system, which became the western European television standard.

Some of AEG's present problems date back to its origins in 1883, when Emil Rathenau founded the Deutsche Edison-Gesellschaft, which became the Allgemeine Electricitäts-Gesellschaft four years later, with relatively little cash. Unlike Werner von Siemens, Rathenau was not an inventor himself but a businessman who saw the commercial opportunity of exploiting the invention of the light-bulb. But unlike AEG, which remained undercapitalised, Siemens *always had more money than* it could profitably invest.

After a modest beginning in the light-bulb business, AEG soon began its long expansion drive into almost everything electrical and – later – electronic. One AEG source said: "Emil Rathenau worked on the basis of study groups for new business areas. One of them *built high-speed trains as early* as 1903, with engines capable of running at 200kph, to test whether they could build a high-speed rail network. They decided they could not do it, so the project was shelved."

AEG's history is one of breathtaking inventions, combined with poor financial and management decisions. In the early 1920s, when a large section of war-crippled German industry renewed itself with cheap and rapidly depreciating money, AEG failed to invest, leaving it until after hyperinflation had ended – a decision which proved very expensive.

After the second world war, AEG was also unlucky. About 90 per cent of its factories were in eastern Germany. While only a small part of its manufacturing facilities were physically destroyed in the war, the company lost almost all its production, including its foreign operations.

The company had to start almost from scratch, rebuilding itself around its western German sales and distribution offices.

Nevertheless, the 1950s were the golden years for AEG, a period when demand outstripped the company's capacity to supply, and when business judgment was reduced to a series of logistical decisons.

But in the late 1960s, the problems began to pile up. AEG took a series of ill-fated strategic decisions: it picked mainframe computers and nuclear energy as two core businesses. And in the late 1960s there was uncontrolled expansion into consumer goods, as AEG bought up one household goods manufacturer after another.

At its peak in the 1960s, AEG employed 171,000 staff, its largest peace-time workforce. During the second world war, when AEG switched to military production, the workforce had reached 200,000. Today, the company employs fewer than 50,000 people.

From the 1970s onwards, AEG's financial performance deteriorated rapidly. An accident at a nuclear power plant resulted in the company's nuclear prospects disappearing almost overnight. AEG was considered to have picked the wrong technology. The group also sold far fewer mainframe computers than expected.

When the global economy was hit by the oil shock in 1973, AEG tumbled into loss. It caused a public uproar when it resorted to selling assets to pay the dividend, an almost unprecedented move for a German company.

Despite a capital restructuring in 1979, the company's fortunes did not revive. The extra capital was swallowed up almost entirely by the servicing of the company's debt mountain. In 1982 net debt was DM5bn ($3.49bn), compared with sales of DM12bn. That year AEG entered into an insolvency procedure, which ended two years later when creditors agreed to an extensive package of debt write-offs.

Then came Daimler-Benz, and with it the prospect of a more solid capital base. But Daimler-Benz's ownership of AEG since 1985 has proved a disaster.

The move was part of a strategy to diversify so Daimler-Benz could become an "integrated technology concern", an expression that has become something of a bad joke within the company.

That strategy, now judged by many to be one of the most catastrophic failures in post-war German industry, has since been reformulated. Daimler-Benz now regards itself as a transportation group, one that makes cars, trains and aircraft. There is no longer a place for a business such as AEG, which at one stage produced refrigerators, nuclear power stations and typewriters.

Moreover, although AEG restructured itself financially, the group did not sufficiently restructure itself commercially, at least not immediately. The business was lulled into a false sense of security by the strong economic growth of the mid-to-late 1980s.

This failure to continue restructuring is now considered, with hindsight, to have been a mistake, even if an understandable one. One AEG insider explains: "The people were exhausted, which is understandable from a psychological standpoint.

"After the work was done, they sat back, and said 'we've done it'. And then they harked back to the good old days, which is normal in times like these. It is always difficult to say to people, 'you did it, you did it well, and now you've got to continue'."

The group remained an unwieldly and unfocused conglomerate. It failed to concentrate on its areas of excellence which offered long-term profitability, such as electronic components and transport systems. Instead, resources were frittered away on energy equipment and white goods, which in the high-growth environment of the late 1980s seemed to have good prospects.

Mr Roland Berger, the chairman of Roland Berger, a business consultancy, says: "AEG made several difficult management errors. The biggest mistake was the desire to compete with Siemens in every sector. Also, Siemens had some clear advantages in its markets. Siemens was almost the official monopoly supplier in the areas of telecommunications and energy."

Poor financial management, combined with lax cost control, compounded the group's problems. *By the early 1990s*, AEG's failure to rationalise resulted in persistent and mounting losses. This year, the business is expected to lose DM1.3bn.

The process of dismemberment is well under way. Sometime in the spring, AEG's Frankfurt headquarters, with a workforce of 700, will be closed. Four divisions will remain within the *Daimler-Benz group: railway* engineering (now part of a joint venture with ABB); postal automation (where is AEG is the world market leader); diesel engines (MTU); and microelectronics (Temic). These divisioo are largely self-managed, and will no longer need the AEG superstructure to survive.

Yesterday AEG concluded negotiations to sell its industrial automation and energy divisions. Units for which AEG finds no buyers and which are considered non-core will be closed.

The mood at AEG's headquarters is, unsurprisingly, depressed, although the company insists many employees will find alternative employment, either within Daimler-Benz or at one of the companies that are buying parts of AEG. Nevertheless, AEG's works council estimates that about 10,000 jobs are likely to disappear.

Mr Ernst Georg Stockl, AEG's chairman, dismisses such warnings as "without foundation". But this week, the German media forecast job losses as high as 25,000. Forecasting AEG job losses has taken on the nature of an auction, not entirely unreasonable given the company's unhappy history of matching the most *pessimistic expectations*.

AEG's lingering death means that the actual end has caused little surprise. Apart from the odd, desultory demonstration at its headquarters in Frankfurt, the closure of the group's administrative offices has provoked little outcry or attention.

From next year, AEG will no longer exist, although most of its businesses will survive in different guises. What will remain is an object lesson in mismanagement and industrial evolution, and a warning that not even the biggest company is immune from paying the price of failure.

Diverging fortunes in German electronics

SIEMENS	TURNOVER DM BN	NET PROFIT DM M
1975	18.9	488
1976	20.7	606
1977	25.2	650
1978	29.0	721
1979	28.0	882
1980	31.9	633
1981	34.5	599
1982	40.1	738
1983	39.5	802
1984	45.8	1,066
1985	54.6	1,526
1986	47.0	1,474
1987	51.4	1,275
1988	59.4	1,391
1989	61.1	1,577
1990	63.2	1,668
1991	73.0	1,782
1992	78.5	1,965
1993	81.6	1,982
1994	84.6	1,993
1995 (year to Sept 30)	66.8	2,064

AEG	TURNOVER DM BN	NET PROFIT/LOSS DM M
1975	127.4	–77
1976	134.7	397
1977	142.9	8
1978	140.9	–347
1979	142.1	–666
1980	144.0	–247
1981	148.4	24
1982	132.6	–85
1983	115.3	37
1984	110.2	398
1985	108.4	0
1986	112.2	0
1987	116.6	0
1988	133.6	27
1989	122.4	275
1990	131.5	–205
1991	140.0	–624
1992	116.0	10
1993	110.0	–1,190
1994	102.9	–357
1995 (forecast)	110.0	–1,300

Source: Companies

Old rival finds the winning formula

On the surface, AEG and Siemens have much in common. Both have a record of innovation and a reputation for long-term thinking; at moments in their history they have manufactured almost the *entire product range of electrical* and electronic products.

Yet despite their similarities, AEG failed and Siemens succeeded. And while AEG is in the process of disintegration, Siemens appears healthier than at any time in its history. Last financial year, Siemens' net profits rose 26 per cent to DM2.1bn ($1.5bn), and it expects similar profits growth this year.

Mr Roland Berger, a business consultant, says that unlike AEG, "Siemens had a traditional family structure, cemented by special voting rights for family shareholders who do not think merely in five-year periods. If they say we need an information technology division, then they buy one and they stick with it. Such thinking has always been typical Siemens culture."

The company dates back to 1847 when Werner von Siemens co-founded the Siemens & Halske telegraph company to build the first telegraph line between Berlin and the parliament in Frankfurt. In 1882, his company installed the first electric street lights in Berlin, and, like AEG, started producing light bulbs.

More recently, Siemens benefited from a steady flow of income from its position as a quasi-monopoly supplier of *telecoms equipment and power* plants in Germany.

The group demonstrated its flexibility in the 1980s, when competition intensified and Siemens refocused on its current divisions: telecoms, energy, components, computers, medical technology and transport systems.

Almost all of its businesses units are now profitable. Probably Siemens' greatest success in recent years has been the investment in semiconductors. The division is the single largest contributor to profits.

Wolfgang Münchau

INTERNATIONAL COMPANIES AND FINANCE

ASIA-PACIFIC NEWS DIGEST

Sanwa and Dai-Ichi to open trust banks

Two more Japanese banks received approval yesterday from the finance ministry to open trust banking businesses. Sanwa Bank and Dai-Ichi Kangyo Bank will open trust bank subsidiaries next year. They will join Bank of Tokyo and Tokai Bank, which have already received approval for similar subsidiaries, and a number of other banks which are expected to be given the green light in the next few months.

Japanese banks have in the past been subject to rigorous demarcation rules. The activities of 10 of the 11 city banks – the main nationwide commercial banks – have until recently been tightly circumscribed by the regulators. But in the last few years, the gradual deregulation of financial markets has allowed banks to enter other businesses, notably securities, and now trust banking.

The new competition is likely to make life more difficult for the existing trust banks, which have until now enjoyed a banking monopoly in the lucrative management of pension funds and loan trusts. *Gerard Baker, Tokyo*

Kobe Steel, Alcoa acquire mill

Kobe Steel of Japan and Alcoa of the US are to acquire Comalco'e Yennora rolling mill in New South Wales through their recently formed joint venture, KAAL Australia. Comalco, the Australian integrated aluminium producer, said the sale was expected to result in a loss of about A$10m (US$7.4m) after tax. No other financial details were released.

"The sale of this business to KAAL Australia is in line with Comalco's strategy of concentrating on its upstream activities of mining, refining and smelting," Mr Terry Palmer, Comalco's chief executive, said.

KAAL Australia will also acquire an option to purchase certain land and buildings at the Yennora site. The sale, which is expected to be completed by the end of the month, is subject to regulatory approvals. *Reuter, Melbourne*

Toyota registers fall in output

There were mixed reports yesterday on vehicle production figures from two of Japan's carmakers. Toyota Motor, the country's largest, said domestic vehicle production in November fell 11.2 per cent from a year earlier to 277,194 vehicles. Vehicle exports dropped 16.3 per cent year-on-year to 106,425 vehicles.

Separately, Toyota said its Toyota Team Europe (TTE) would not take part in the World Rally Championships until 1998. Last month, TTE was disqualified from the world rallying championship by the International Motor Sport Federation for using illegal turbo restrictors in the Catalonia Rally in Spain in October.

Nissan said its domestic vehicle production in November rose 7.6 per ceot from a year earlier to 143,448 vehicles. The company, Japan's second largest carmaker, said its November vehicle exports dropped 19.1 per cent year-on-year to 43,013 vehicles. *Reuter, Tokyo*

Post Publishing sells Thai stake

Post Publishing, owner of the Bangkok Post, said it agreed to sell its 94.26 per cent stake in Thai-language sister paper Siam Post for Bt95,000 ($3,776). Post Publishing said it decided to sell 9.43m Siam Post shares to Tritos Three-Generation but retained an option to buy back up to 45 per cent of Siam Post shares within five years. It said the three-year-old Siam Post had accumulated an estimated Bt100m loss since its debut in August 1992. *Reuter, Bangkok*

LG believed to have won controlling stake in Dacom

By John Burton in Seoul

The LG group, one of South Korea's biggest conglomerates, yesterday appeared to have won a controlling stake in Dacom, a leading domestic telecoms company.

The telecoms business is becoming the newest arena for competition among Korean conglomerates, or *chaebol*, as the government deregulates the sector.

LG, Samsung, Hyundai and Tongyang have been competing for control of Dacom for the past year.

Dacom is the biggest competitor to state-run Korea Telecom, with international call services and the start of domestic long-distance operations from next month.

The *chaebol* see synergy benefits in acquiring telecom operators since most of the industrial groups manufacture telecommunications equipment. LG, for example, produces telephone switching systems and fibre-optic cables.

LG, the country's third-biggest *chaebol*, became Dacom's largest shareholder by buying a 9.84 per cent stake for Won362bn ($469m) from the state-run Korea Long-term Credit Bank in a public auction. The bidding price of Won280,100 a share was more than double the price of publicly-traded Dacom shares.

LG now controls 12.29 per cent of Dacom, although some analysts estimate it actually holds a 27 per cent stake in the company through share purchases by business allies.

LG is officially limited to 10 per cent in Dacom under a law that restricts telecom equipment makers from acquiring more than that amount in wired telecom service carriers. To keep within that limit, LG will transfer some of the shares bought in auction to its consortium partner, Dahwa Industrial.

Dacom, which is expected to post sales of Won368bn in 1995, is preparing to enter the wireless telecommunications sector as the government awards two licences for personal communications services next June. But it will face competition from more than 20 declared applicants, including the main *chaebol* such as Samsung, Hyundai and Daewoo.

The *chaebol* are also expected to compete for shares in Korea Telecom when it is listed on the Seoul stock exchange next year.

Korea's two cellular phone operators are already owned by industrial gronps. Korea Mobile Telecom is controlled by Sunkyong. Shinsegi, which will start operations early next year, is owned by a consortium headed by Pohang Iron & Steel and the Kolon textile group.

Danish group in Vietnam move

By Ted Bardacke in Bangkok

Christiani & Nielsen, the Danish civil engineering company taken over by its Thai subsidiary in 1992, announced it had won two contracts in Vietnam, a boost to Asian operations that are financing continuing losses in Europe and emerging problems in Thailand.

The company's move into Vietnam is through a joint venture with Construction Co, a company owned by Vietnamese military officers.

It will require an initial investment of $1.5m, of which $900,000 will provided by Christiani & Nielsen.

The joint venture already has two contracts in Vietnam worth a combined $53m, the company said in a filing to the Stock Exchange of Thailand. Both projects are due to be completed by the end of 1997.

The additions to the company'e Asian order backlog was welcomed, as problems in Europe continne in spite of an ongoing restructuring programme instituted in 1993.

Third-quarter losses for European operations were $2.1m, an encouraging figure considering it made nine-month losses in Europe totalling $18.7m. In the third quarter, only the group's UK and investment arms showed profits, of $600,000 and $1.2m respectively.

In Asia, excluding Thailand, the company lost $2m in the third quarter, wiping out first-half Asian profits of $1.6m.

In Thailand, third-quarter losses were $7.8m, cancelling out first-half profits of $7.1m.

The company is said to be considering a rights issue to raise $28m.

Tubemakers spurns Broken Hill bid

The A$583m (US$432m) bid by Broken Hill Proprietary to buy the 51.5 per cent of Tubemakers it does not already own, was yesterday described as unwelcome and unacceptable by the target company's managing director designate, Reuter reports from Sydney.

Mr Robert Every said the heavy engineering group would prefer to remain independent. The Tubemakers' board had five independent directors against a total of four from BHP and the Japanese Sumitomo group, he said.

Sumitomo has indicated it would accept the BHP bid for its own stake of 19.3 per cent.

Mr Every's comments came after the release of a statement by the independent directors of Tubemakers in which they said BHP's offer price of A$4.05 a share was inadequate.

Tubemakers' sub-committee of independent directors would meet today and would then appoint an independent expert to evaluate the bid, be said.

Tubemakers shares closed at A$4.05, up 45 cents on the day.

Changes to the FT/S&P Actuaries World Indices

The FT/S&P Actuaries World Iodex Policy Committee decided in principle at its quarterly meeting oo December 8 that Indonesia and the Philippines should be added to the Indices during the first half of 1996. Provisional constitueot lists for the two countries are given below.

The review of Indonesia was based on information taken on August 31 and the review of the Philippines on information taken oo September 30.

Subsequent market events will be taken into account by the committee at the March meeting, when a final decision on their inclosioo will be taken.

Indonesia (investable weightings all 49 per cent except where stated): Astra International (Industry Sub-sector 572); Bank Dagang Nasional Int. (112); Bank Danamon (112); Bank Intl. Indonesia (112); Bank Tiara Asia (112); Bimantara Citra (474); Ciputra Development (161); Citra Marga (304); Gajah Tunggal (574); Gudang Garam (425); H M Sampoerna (15 per cent – 425); Indocement Tunggal Perkasa (18.3 per cent – 611); Indonesian Satellite Corp. (Indosat – 223); Indorama Syntetics (412); Jakarta Intl. Hotel (464); Kalbe Farma (433); Kawasan Industri Jababeka (161); Lippo Bank (112); Land Development (161); Mayora Indah (451); Modern Photo Film (463); Panin Bank (112); Semen Gresik (611); Sinar Mas Multiartba (121); Tjiwi Kimia (652); United Tractors (564).

Philippines: Aboitiz (investable weighting 40 per cent – 171); Ayala Corp. B (100 per cent – 171); Ayala Land B (11.1 per cent – 161); Bacnotan Cons. Ind. (40 per cent – 611); C & P Homes (40 per cent – 171); Filinvest Land (40 per cent – 161); First Phil. Hdgs. B (100 per cent – 221); Intl. Container Terminal Serv. (40 per cent – 303); J G Summit Holdings (40 per cent – 161); Jollibee Foods (40 per cent – 451); Manila Electric B (100 per cent – 221); Megaworld Prop. & Hdgs. (40 per cent – 161); Metro Pacific (40 per cent – 512); RFM (40 per cent – 451); Metropolitan Bank & Trust (30 per cent – 112); PCI Bank (30 per cent – 112); Philippines Long Distance Telephone (40 per cent – 223); Philippine National Bank (30 per cent – 112); Pilipino Telephone (40 per cent – 223); San Miguel Corp. B (100 per cent – 421); SM Prime Hdgs (40 per cent – 161); Southeast Asia Cement Hdgs. (40 per cent – 171); Universal Robina (40 per cent – 451).

Following a full review of the Hong Kong market, the following changes will be made on January 1 1996 (L after a stock indicates it will be added to the Large Cap Index. M-S indicates it will be added to the Medium-Small Cap Index):

Additioos: (all M-S): Nat. Mutual Asia (151); First Pacific (171); Dao Heng Bank (112); Sbangri-La Asia (464); CDL Hotels Intl. (464); Varitronix Intl. (551); Chen Hsong Hdgs (566).

Deletions: Lane Crawford Intl. A (495); Playmates Property (161); Playmates Toys (462).

The Committee also agreed the following constituent changes to take effect on January 1 1996.

France. Addition: Pechiney (M-S – 672). Deletion: Pechiney Intl. (M-S – 672).

Germany. Addition: Adidas (M-S – 461).

Japan. Deletion: Hyogo Bank (112).

UK. Addition: National Grid (L – 221).

The FT/S&P Actuaries World Indices are jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and Standard & Poor's in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NotWest Securities Limited is o co-founder.

All inquiries should be made to Debbie Jackson, FT Information, Edinburgh, on 0131-220-3993, Barbara Mueller, Goldman, Sachs & Co., New York, on 212-902-6777, or Elliott Shurgin, Standard & Poor's, New York, on 212-208-8709.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 20.12.95 Pool purchase price £/MWh	Final Price for Trading on 22.11.95 Pool purchase price £/MWh	Final Pool selling price £/MWh
0030	20.01	9.07	9.07
0100	30.00	24.98	28.49
0130	44.95	24.98	28.49
0200	44.95	24.98	28.49
0230	30.01	12.45	13.95
0300	30.01	12.43	13.94
0330	30.01	8.99	10.49
0400	30.00	9.04	9.04
0430	29.49	9.04	9.04
0500	30.00	9.04	9.04
0530	11.89	12.30	13.61
0600	26.00	12.30	13.61
0630	26.01	12.30	13.61
0700	29.01	32.07	33.59
0730	29.57	32.79	34.33
0800	30.25	35.33	36.94
0830	31.70	35.49	37.15
0900	33.52	35.69	37.40
0930	43.42	37.20	38.92
1000	44.00	41.04	42.77
1030	44.88	40.98	42.70
1100	44.56	35.75	37.48
1130	44.90	36.89	38.64
1200	44.99	41.15	42.98
1230	44.45	41.07	42.81
1300	36.18	36.60	37.29
1330	37.19	35.35	36.96
1400	36.64	35.35	36.83
1430	32.42	32.86	34.42
1500	32.13	32.86	34.42
1530	34.26	33.18	34.86
1600	64.72	40.89	44.72
1630	166.31	120.86	143.10
1700	270.88	239.05	274.42
1730	319.26	297.98	329.52
1800	256.88	234.73	268.81
1830	148.75	120.56	138.04
1900	83.57	68.14	72.93
1930	56.90	48.24	51.59
2000	40.64	42.88	44.84
2030	31.33	41.66	43.24
2100	30.07	36.30	36.82
2130	29.73	35.23	36.74
2200	29.88	32.08	33.57
2230	29.85	19.95	21.45
2300	25.00	18.91	20.42
2330	20.00	12.30	13.61
2400	20.00	9.02	9.02

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.26/MWh becomes 1.626p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0116 245 6799 between 8.30am and 5.15pm Monday to Friday

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COMPANY NEWS: UK

Strong Eurotherm cautious on growth

By Tim Burt

Eurotherm yesterday underlined its claim to be one of Europe's fastest growing industrial controls manufacturers by reporting a 31 per cent increase in profits.

The company, which makes temperature controls, gauges and drives for electric motors, saw pre-tax profits rise from £26.1m to £34.1m ($54m) on increased sales of £195.4m (£168m) in the year to October 31.

In thin trading, however, Eurotherm shares fell 18p to 536p after the group hinted it could be difficult to sustain current growth levels.

Mr Jack Leonard, chairman, said: "It would be wrong to expect that, in less favourable periods, we will be able to advance profits at the rates we have seen recently."

Nevertheless, he predicted the company could offset weakening demand by launching new products in the next quarter. Sales of such products helped lift operating profits last year from £25.6m to £32.8m, while earnings per share jumped to 25.1p – against 19.4p. Margins, meanwhile, rose from 15.5 per cent to 17.5 per cent.

"Advances were made throughout the group", Mr Leonard added.

Mr Claes Hultman, chief executive, said the group would use its net cash balances of £31.4m (£21.6m) to underpin organic growth and fund further research and development.

Eurotherm has, for example, drawn up plans for a new $3.5m drives plant in North America and increased its R&D spending from £7.4m to £8.8m.

"We have a very focused product development programme under way and that should bear fruit this year."

He also highlighted a small fall in stocks, which fell from £23.1m to £22.6m, despite sales rising 16.3 per cent.

The company proposes a 4.5p final dividend, lifting the year-end total from 5.5p to 7.5p.

Buy back by National Power

National Power yesterday spent £243m on buying back 4.4 per cent of its shares. It was taking advantage of the fall in price following the referral of its bid for Southern Electric to the Monopolies and Mergers Commission, writes David Wighton.

The generator said the purchase would enhance its earnings per share by between 2 per cent and 3 per cent in a full year and would increase its gearing by about 9 per cent.

It stressed that the buy-back at 428p did not affect its commitment to the Southern acquisition nor its international aspirations.

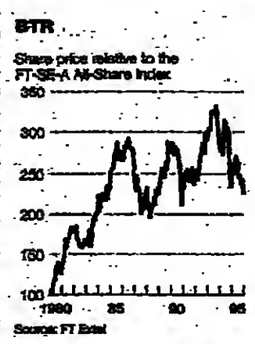
Analysts saw the move as a signal that National Power would pass more value back to shareholders if the acquisition of Southern were blocked.

National Power's shares rose 2p to 429p.

LEX COMMENT

BTR disposal

The biggest surprise over BTR's £300m sale of Dunlop Slazenger is that the deal has taken 10 years to happen. The sporting goods business has sat oddly with BTR's policy of focusing on core manufacturing businesses. In the hands of the cost-oriented industrial conglomerate, Dunlop Slazenger has missed out on the great boom among sporting goods companies, namely leisure wear and footwear. The return on sales last year was less than 7 per cent and profits are substantially below the levels of the late 1980s. A more marketing-oriented management should be able to generate greater revenues from what still remain strong brand names. Nonetheless, BTR looks to have got a high price. And it is clearly good news for shareholders that BTR is enhancing earnings from the disposal, while at the same time improving the group's strategic focus and bringing down debt.



For those concerned over balance sheet gearing, this will fall below 100 per cent on completion of the sale, and should be less than 70 per cent by the end of 1996. Meanwhile, interest cover could rise above eight times, leaving the company well-equipped to feed a growing demand for expansionary capital expenditure from its existing businesses.

This creates a platform from which Mr Ian Strachan, the incoming chief executive, should be able to start reversing three years of substantial share price underperformance.

Even with 1996 forecasts cut back by the recent profits warning, the shares trade at a discount to the market. This is undeserved.

Slow demand limits Howden to advance of 4%

By Tim Burt

Howden Group, the Scottish industrial equipment manufacturer, yesterday reported a modest 4 per cent increase in first-half profits amid sluggish demand for its tunnel boring machines and North American fans.

The company saw pre-tax profits edge ahead from £10.6m to £11m ($17.4m) on increased sales of £211.6m (£193.8m) in the six months to October 31. Mr Alan Maclachlan, director of corporate services, described the improvement as "steady if unspectacular" given market conditions in continental Europe and the US.

Although operating profits rose from £12.2m to £13.4m, Mr Maclachlan said the group had been held back by losses at the Howden Fan Company in North America, where sales for power station fans were below expectations.

At the same time, its Wirth tunnel boring subsidiary in Germany struggled against flat markets.

Howden has decided to split Wirth into two operating units – one concentrating on tunnelling equipment and the other on specialist drilling products, which have proved more profitable.

Directors said the group had also embarked on a cost-cutting programme in the US, which is not expected to produce benefits before next year.

Mr Maclachlan, meanwhile, justified a 40 per cent increase in working capital from £58.2m to £81.4m, saying it was necessary to meet second-half orders.

Those orders rose 26 per cent to £243m in the first half, but growth is expected to slow before the year end. At the same time, funds required for working capital helped lift borrowings from £14m to £51.8m – equal to gearing of 47 per cent, a level expected to fall before the year end.

Courtaulds Text warns on profits

By David Blackwell

A combination of the UK's hot summer, the social unrest in France and US stores adjusting stocks prompted Courtaulds Textiles to issue a profits warning yesterday.

Shares in the group – the UK's second largest clothing and fabrics manufacturer – fell by 24p to 378p as City analysts cut forecasts back by about £7m to £40m ($63m) before exceptionals. Last year pre-tax profits were £47.3m.

Mr Noel Jervis, chief executive, said that sales of hosiery and knitwear had fallen by half in the UK in August, when stores start to sell autumn and winter ranges. There were many months when women were not wearing tights because of the mild weather, he added.

In the UK the group supplies own-label goods to both Marks and Spencer and Storehouse. It relies on the last five months of the year to make two-thirds of its profits.

Analysts were more surprised by the news from the US. One suggested that the US retail destocking accounted for up to £4m of the downgrade.

While clothing sales had returned to normal in the UK in November and December, the final outcome for this month would be heavily influenced by the situations in France and the US, which account for about 25 per cent of group sales.

Mr Jervis said that at some plants in the US and France workers would be getting a two-week break over Christmas as production was cut.

Courtaulds also cited margin erosion following raw material price rises, which were proving difficult to pass on. Trading conditions had deteriorated further in "the already difficult household textiles sector".

Noel Jervis: extended Christmas for some US plants

COMPANY NEWS: UK

The end of an awful story

George Graham looks at the $3.56bn sale of NatWest Bancorp

Foreign banks in the US have faced the same quandary as their American counterparts: how to respond to the wave of consolidation triggered by the steady erosion of regulatory barriers.

National Westminster Bank, which yesterday announced the sale of its US retail banking subsidiary to Fleet Financial in a deal valued at $3.56bn has been no exception.

NatWest Bancorp had a relatively strong position in New York and New Jersey, but its prospects for future development had been thrown into question by the rapid consolidation of some of its biggest competitors.

The acquisitions of First Fidelity by First Union, and of Midlantic by PNC, together with tha merger between Chase Manhattan and Chemical, left NatWest with some stark choices.

"Our belief is that we would have needed to get very much bigger to have competed effectively," Mr Derek Wanless, NatWest's chief executive, said yesterday as the deal closed.

"We didn't feel we could justify to shareholders making the sort of investment that would have been needed."

Looking st the full span since NatWest first bought into the US retail banking market in 1979, it is hard to justify the foray at all.

"The story of Bancorp over 16 years is an awful story for shareholders, and we have never hidden that," Mr Wanless says.

Over time, NatWest's return on its investment has barely exceeded 1 per cent, although Mr Wanless points out that Bancorp's turnround in the last four years has brought back some value to investors.

Few foreign banks can claim to have fared much better in the US banking market. The name of Crocker, Midland Bank's ill-fated and now divested acquisition, still makes strong British bankers blanch.

A study by Mr Daniel Nolle, an economist at the Office of the Comptroller of the Currency in the US, showed that foreign banks have, as a group, consistently produced a lower return on assets than their US counterparts for the last 10 years.

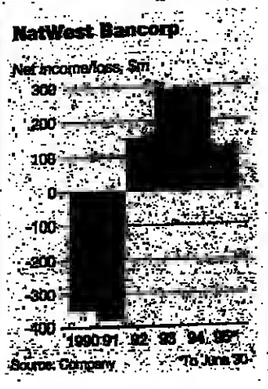
The only exception was 1987, when several large US banks made substantial provisions on their developing country debt exposure. "It would seem to come with the territory. It's more difficult to operate in a market that is not your home market," Mr Nolle said.

Of the European banks left in the US retail banking market, Royal Bank of Scotland, which earlier this week announced the merger of its Citizens Financial affiliate with Bank of Ireland's 1st New Hampshire, and Allied Irish Banks, with its First Maryland Bancorp subsidiary, can lay claim to the most consistent returns on their investments.

HSBC's Marine Midland Bank in New York has shown strong profit growth in recent years, but stockbrokers still question whether the investment has proved to be good value for the group.

ABN Amro of the Netherlands is strongly placed with the 105 branches of the LaSalle group in the Chicago, but its European-American Bank subsidiary in New York has a much less happy history. Some ABN Amro officials wonder whether they will be able to make the investments thay need, but the group said yesterday that it regarded the US as a second home market.

Derek Wanless: could not justify the investment needed



These banks, too, must cope with a wave of mergers among their competitors that shows little sign of abating.

"The reason people are coming out now is the same reason NatWest has given: with consolidation going on you have a choice between expansion and sale. At the moment, returns on equity are attractive, but in the next downturn will they be as attractive?" says Mr Robert Law, a banking analyst at Lehman Brothers in London.

The deal values Bancorp at $3.56bn, though NatWest will pocket only $2.56bn of this in immediate cash – and Fleet Financial has the option to issue up to $475m of common and preference stock as part of this payment. NstWest will also share Bancorp's profits with Fleet to the tune of $560m, which it expects to receive in four years.

For NatWest, the decision has clearly been that it can make better returns on this money in other businesses: Some of these are international, including corporate and investment banking through NstWest Markets – though the group promised it had no plans to squander the receipts from the sale on the purchase of a large US investment bank. Private banking through Coutts is another growth area. Most opportunities, however, build on NatWest's strong brand name in the UK.

But the bank also said yesterday that one of the options under review was to distribute surplus funds to shareholders. A buyback of up to 100m shares, worth £630m at yesterday's prices, was authorised at this year's annnal general meeting.

Some shareholders might wish that NatWest management had thought of doing that in 1979.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Dividends: Corresponding dividend	Total for year	Total last year
Bailey (CH)	28 weeks to Oct 13	3.05	(1.97)	0.139♠	(0.47L)	0.25	(0.78L)	-	-	-	-	nil
Central Transport	6 mths to Oct 31	75.3	(73.4)	12.8L♠	(7.2L▼)	11.5L	(6.5L)	nil	-	nil	-	nil
Compco	6 mths to Sept 30	1.86	(1.14)	0.434♠	(0.366)	1.98†	(2.81)	nil	-	-	nil	3.24
Eurotherm	Yr to Oct 31	195.4	(168)	34.1	(26.1)	25.1	(19.4)	4.5	Apr 12	3.5	7.5	5.5
First Choice	Yr to Oct 31	933.6	(821.8)	1.3▼	(16.3♠)	1.7L	(5.1)	2.45†	Apr 12	2.45	3.85	3.85
Howden	6 mths to Oct 31	211.6	(193.8)	11	(10.6)	2.6	(2.5)	0.95	May 1	0.89	-	2.7
Radiant Metal	6 mths to Aug 31	0.437	(0.56)	0.009	(0.071L)	0.7	(5.25L)	-	-	-	-	nil
Windsor	Yr to Sept 30	10.72	(9.88)	0.443♠	(1.05)	0.57	(2.55)	0.5	Apr 1	0.5	0.5	0.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
F&C Smaller	6 mths to Oct 31	179.3	(165.5)	1.87	(1.42)	1.78	(1.36)	0.8	Feb 2	0.74	-	2.11
Henderson Highland		-		-		-		1.5‡	Jan 31	1.45	-	5.7
Murray Smaller	6 mths to Nov 30	462.2	(463.8)	1.53	(1.4)	2.75	(2.51)	1.6□	-	1.56	-	4.6
Templeton Emerging	6 mths to Oct 31	115.4	(111.9♦)	2.72	(2.49)	0.68	(0.67)	-	-	-	-	0.75

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ▼After exceptional credit. †On increased capital. ‡Third interim; makes 4.4p to date. □Already announced. ♦At April 30.

Setback for Forte in hotels disposal

By David Blackwell

Forte's plans to sell the White Hart chain of hotels were dealt a setback yesterday when the financial backer of the company's preferred buyer pulled out.

A deal to sell the chain to a management buy-out team was widely expected to be concluded this week. The disposal of the hotels is seen as an important part of Forte's defence against a £3.2bn bid from Granada.

Forte has argued that it is disposing of non-core assets to run a tightly focused group.

The management buy-out team earlier this year secured the support of Apax, the venture capitalist. However yesterday Apax confirmed negotiations with Forte had ended.

It is understood that Forte is seeking £120m for the chain of 60 hotels. Apax is thought to have found the price too high, bnt still offered more than £100m.

Oriel Leisure is pressing on with its discussions with Forte. Mr Michael Brooker, chairman, said yesterday that talks "will continue in the New Year, probably before".

Mr Gerry Robinson, Granada's chief executive, has criticised Forte's disposal programme, saying that now was not the time to sell when potential buyers knew it was under pressure from the bid.

● The Council of Forte, which has a controlling vote over the company's affairs, can decide for itself whether to back or resist the takeover bid by Granada, a High Court judge provisionally ruled yesterday, writes John Mason.

Having clarified the legal responsibilities of the Council, the judge ruled that it could use its discretion over which side to support.

In a private hearing, the Council, which has a 51 per cent voting right, asked the High Court for clarification about its legal duties. The judge's ruling is due to to finalised today after which the Council is expected to make an announcement.

CONTRACTS & TENDERS

INTERNATIONAL PROPERTY

LEGAL NOTICES

PERSONAL

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COMMODITIES AND AGRICULTURE

Korea Zinc to build smelter and refinery in Townsville

By Kenneth Gooding, Mining Correspondent

Korea Zinc, biggest producer of the metal in South Korea, is to build an A$500m smelter and refinery complex at Townsville in Queensland, Australia.

The complex will have the capacity to produce 170,000 tonnes of zinc a year and add more than 2 per cent to global refined zinc output when production starts in 1999. This capacity could double if the company decides to go ahead with an A$500m expansion, starting in 2,004.

The choice of Townsville, rather than Gladstone, also in Queensland, was announced yesterday only one month after Korea Zinc completed the acquisition of the Big River zinc smelter in Illinois from Big River Resources for US$52.5m. The US smelter has an annual capacity of 80,000 tonnes.

The group expects to produce about 290,000 tonnes of zinc in South Korea this year.

Townsville was chosen because of its close proximity to raw materials. The complex is expected to obtain 70 per cent of its concentrate from the nearby Carpentaria/Mt Isa area.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+3,400	to 571,460
Aluminium alloy	+1,280	to 80,480
Copper	+9,925	to 281,075
Lead	-625	to 134,160
Nickel	+162	to 44,718
Zinc	-3,625	to 671,200
Tin	+75	to 11,975

The Queensland government is offering support via tax incentives, infrastructure support and "internationally competitive" electricity tariffs. The power deal allows the Queensland government to be repaid for some of its assistance if zinc prices increase and the profitability of the new smelter is substantially above that forecast.

Australia's federal government is also helping under the terms of its "major projects facilitation programme" that co-ordinates and speeds up the planning approval processes and cuts the associated costs.

Mr Peter Cook, Australia's Industry Minister, said the zinc project could produce export earnings of up to A$800m a year.

Korea Zinc is forecasting that by the year 2,000, demand for zinc in South Korea could rise by about 20 per cent from the 1995 level – between 330,000 tonnes and 340,000 tonnes – to more than 400,000 tonnes.

MG sells Berzelius lead plant and five other stakes to Quexco

By Kenneth Gooding,

Metallgesellschaft, the German industrial and trading group, has sold its Berzelius primary lead smelter in Germany and stakes in five secondary lead smelters in Europe and the Middle East, to Quexco International, a privately owned US group.

Quexco's main subsidiary is RSR Corporation, which claims to be the world's biggest recycler of used car batteries.

No price is to be revealed but MG said that Rheinische Zinkgesellschaft, which owned the smelters, had sales of about Dm300m in the 1994-95 financial year and employed 560 people.

MG, which came close to bankruptcy in 1994, first announced the possible sale in May as part of a big asset disposal programme and it caused some concern at Germany's metal workers' union.

These objections have now been resolved and Quexco is taking over from January 1 the Berzelius primary smelter at Stolberg which has the capacity to produce 80,000 tonnes of lead and lead alloys a year using the QSL process developed by Lurgi, an MG subsidiary.

The other companies are secondary lead smelters that recycle used car batteries. Together their annual capacity is 150,000 tonnes.

Quexco is buying 100 per cent of BSB Recycling, Braubach in Germany; 74 per cent of BMG Metall und Recycling, Arnoldstein, Austria; 100 per cent of Muldenhütten Recycling in Freiberg, Germany; 99.9 per cent of Société de Traitements Chimiques des Métaux, in Toulouse, France; and 17 per cent of Sharikah al Wataniyah Lesahar al-Rasass, in Riyadh, Suadi Arabia.

MG said it was taking over RZG'a non-lead activities before the sale. These included Rheinzink, a building materials supplier, and Ruhr-zinc, which supplies Rheinzink.

Quexco first moved into Europe in 1993 when it acquired Billiton's lead recycling and fabrication operations in the UK and France from the Royal Dutch/Shell group. This gave Quexco about 100,000 tonnes of lead products capacity in the UK through companies such as HJ Enthoven and British Lead Mills.

In France it acquired 10,000 tonnes of annual rolling capacity via Le Plomb Francais.

RSR said yesterday its production facilities in New York, Indiana and California will produce about 270,000 tonnes of lead next year. It recycles between 30m and 35m spent batteries a year in the US.

'Cereal output must rise by 4%'

World cereal output must be increased by at least four per cent in 1996 to safeguard food security, the UN Food and Agriculture Organisation said yesterday, Reuter reports from Rome.

"With 1995 crop estimates now much firmer, it is certain that cereal stocks will be drawn down sharply even to meet the reduced consumption requirements now expected," the FAO said in its November-December Food Outlook.

"This will mean continuing high cereal import costs with possible serious implications for low-income, food-deficit countries," it reported.

The FAO said the world needed a larger cereal output in 1996 to protect food security. "To meet only the currently expected below-trend utilisation in 1996/97 and to prevent a further erosion of world cereal stocks, a minimum increase of four per cent will be required."

Its latest forecast for 1995 world cereal output was 1.888bn tonnes, 8m tonnes less than the September forecast. Cereal stocks were expected to fall by 47m tonnes to 226m tonnes in 1996/7.

"At this level, the ratio of cereal stocks to trend utilisation in 1996/97, at 14-15 per cent, would be well below what the FAO secretariat considers the minimum necessary to safeguard world food security," the outlook said.

FAO said the draw-down in stocks was expected despite a expected decrease in global cereal consumption by some two per cent in 1995/96. It attributed tha decrease to a sharp drop in feed use in developed countries because of high prices.

Its current forecast for 1995 world cereal output would be 64m tonnes, or 3.3 per cent, below the revised estimate of production last year.

Rich harvest from aquaculture

Kerin Hope looks at the explosive growth of fish farming in Greece

The harvest at Greece's 220 fish farms peaks in December, when the plumpest sea bass are exported to Italy and expatriate Italians in northern Europe as a Christmas delicacy.

Greek growers predict a record harvest this year amounting to 16,000 tonnes of sea bass and gilthead bream, the main fish species cultivated in the Mediterranean.

Output at fish fattening units scattered around the southern Greek coast and the islands has soared by an estimated 50 per cent since January. Both bream and bass are harvested year-round but demand is strongest in the winter months.

According to Mr John Stephanis, chairman of the Greek Aquaculture Producers' Association, Greece is now the largest producer of farmed fish in the Mediterranean, accounting for about 45 per cent of total output.

Mr Stephanis says:"The says:"The explosive growth in Greek aquaculture has come about partly because local companies have mastered the technology of fry production and partly because of a significant improvement in distribution and marketing."

With hundreds of sheltered inlets suitable for anchoring fish-fattening cages and warm waters that are still relatively unpolluted hy comparison with the western Mediterranean, Greece offers ideal conditions for aquaculture.

In France, where cultivation of sea bass and bream was first developed, production is limited by having to grow fish in seawater tanks because of high water pollutioo levels off the Mediterranean coast.

Fish farming in Greece was launched in the 1980s through European Union grants for promoting Mediterranean aquaculture and subsidies from the Greek agriculture ministry, which together covered more than 50 per cent of start-up costs for a fish-fattening unit.

After importing fry from France for several years, Greek growers succeeded in developing reliable methods of hatching eggs from local broodstock selected for size and a faster-than-average rate of growth.

Greek growers have developed reliable methods of hatching eggs from local broodstock selected for size and faster than average growth

Running a successful fry-producing operation enables fish farmers to cut costs and boost earnings, by increasing output at their own fattening units and selling hatchlings to other growers, according to Mr Christos Yiannopoulos, managing director of Riopesca, Greece's largest sea fish hatchery.

The Riopesca hatchery on the Corinth Gulf, the largest in the Mediterranean, expects to produce around 28m juvenile fish this year.

Most are sold to smaller Greek prodncers, who buy finger-sized hream and hass reared in tanks and transfer them to floating cages for growing to market size.

Thanks to improvements in breeding and feeding, it now takes 16-18 months for a sea bass or bream to reach the market size of at least 250 grams, compared to 30 months three years ago.

Mr Yiannopoulos says:"The investment in technology is considerable, but the pay-off comes in producing bigger fish, cutting down growing times and expanding the number of species that can be cultivated."

Demand for farmed bass and bream is modest in Greece, where consumers still prefer to buy wild fish. Greek fish farms export almost 70 per cent of production. Most goes to Italy, but Greek companies are starting to develop markets among ethnic Italian, Greek and Turkish communities in Germany and the UK.

It takes three days for a refrigerator truck to drive from Greece to Germany or the UK, but if properly packed, bass and bream will stay fresh for up to two weeks, producers say.

Prices have stabilised at around Dr1,800 a kilo this year because of increased demand abroad. The sudden rise in fish output, which quadrupled in the early 1990s, sent prices plunging from Dr2,600 (£7.12) to Dr1,200 a kilo and wiped out profits at small farms, which cannot afford their own distribution network

Prices are forecast to remain stable next year following an EU directive limiting increases in output of Mediterranean farmed fish. The restrictions are aimed at preventing a repetition of the problems eocountered by salmon farmers in northern Europe in the 1980s as a result of unbridled expansion.

With the ceiling for Greek production set at 31,000 tonnes yearly until 1999, the agriculture ministry has stopped granting licences for new fish farms. EU grants are now being directed towards boosting sales and distribution both in Greece and abroad.

The restrictions on output do not pose immediate problems for larger Greek fish farmers, partly because they are about to start marketing several new farmed species at higher prices. Small quantities of blue-spotted bream and red snapper, which are larger than bass and gilthead bream, are to be launched on the Greek and Italian markets early next year.

Small quantities of blue-spotted bream and red snapper are to be launched on the Greek and Italian markets early next year

However, producers believe that the present trend for smaller units to be acquired by larger companies will speed up as a result of the EU directive.

Mr Panayotis Alexakis of Nireus Fisheries, the largest Greek producer with two hatcheries and four farms, says:"Greek fish farming will soon be dominated by a few big producers with well-established wholesale and retail networks and the resources to develop new species for cultivation. But much of the growing will still be done by family-sized producers."

EU in unanimous accord on rice sector reform

European Union farm ministers agreed a reform of the rice marketing sector, involving cutting prices, limiting the planted area and raising quality, a Spanish spokesman said last night, Renter reports from Brussels. "It was agreed unanimously," he told reporters.

Agreement was reached after a further slight increase in the area eligible for EU subsidies and a slight raising of the yields which are used to calculate area aid payments.

The reform, which is the latest in a series of changes to the common agricultural policy started in 1992, affects producers in Italy, Spain, France, Portugal and Greece.

It follows the approach for cereal reform by compensating farmers for cuts in interveotioo prices and setting maximum areas to producer countries eligible for aid.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1657.5-58.5	1686.5-87.0
Previous	1655.5-6.5	1684-85
High/low	1655	1691/1685
AM Official	1654-55	1684-84.5
Kerb close		1686-7
Open int.	237,866	
Total daily turnover	65,312	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1425-35	1465-70
Previous	1425-35	1460-70
High/low		1470
AM Official	1435-40	1472-75
Kerb close		1465-75
Open int.	5,111	
Total daily turnover	1,851	

■ LEAD ($ per tonne)

Close	709-11	707-8
Previous	702-3	703-4
High/low	704/702	710/701
AM Official	707.5-8.5	706-7
Kerb close		707-8
Open int.	35,047	
Total daily turnover	14,286	

■ NICKEL ($ per tonne)

Close	8110-20	8235-40
Previous	8110-15	8230-40
High/low	8100	8250/8180
AM Official	8090-100	8210-20
Kerb close		8205-10
Open int.	42,585	
Total daily turnover	15,199	

■ TIN ($ per tonne)

Close	6225-35	6250-60
Previous	6270-80	6275-80
High/low	6235	6285/6250
AM Official	6230-35	6260-65
Kerb close		6255-65
Open int.	14,774	
Total daily turnover	6,037	

■ ZINC, special high grade ($ per tonne)

Close	1013.5-4.5	1039-40
Previous	1012-13	1038-39
High/low	1015	1042/1033
AM Official	1014.5-15	1039-40
Kerb close		1033-4
Open int.	85,773	
Total daily turnover	26,968	

■ COPPER, grade A ($ per tonne)

Close	2840-45	2702-3
Previous	2910-12	2710-12
High/low	2880	2715/2690
AM Official	2879-80	2693-94
Kerb close		2698-00
Open int.	172,098	
Total daily turnover	116,554	

■ LME AM Official £/$ rate: 1.5380
LME Closing £/$ rate: 1.5433

Spot: 1.5424 3 mths: 1.5398 6 mths: 1.5370 9 mths: 1.5348

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	130.20	-1.60	131.90	129.50	734	3,502
Jan	127.00	-1.40	128.50	127.50	350	2,917
Feb	125.55	-0.80	126.00	125.70	0	1,051
Mar	123.30	+0.15	123.90	122.30	4,361	15,985
Apr	121.30	+0.15	121.20	121.20	40	635
May	119.80	+0.15	120.10	119.30	334	2,905
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	387.60-387.90		
Opening	388.10-388.40		
Morning fix	388.00	251.948	447.117
Afternoon fix	388.10	251.230	447.285
Day's High	388.50-388.80		
Day's Low	387.50-387.80		
Previous close	387.10-387.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.50	6 months	2.72
2 months	2.00	12 months	2.84
3 months	2.29		

Silver Fix	p/troy oz.	US cts equiv.
Spot	335.00	517.50
3 months	340.10	523.70
6 months	344.55	529.60
1 year	353.50	541.30

Gold Coins	$ price	£ equiv.
Krugerrand	390-391	253-254
Maple Leaf	398.85-401.35	
New Sovereign	90-92	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	387.4	-0.2	388.4	387.7	54	440
Feb	388.4	-0.2	389.7	388.3	18,894	54,880
Apr	390.2	-0.2	391.6	390.2	1,237	15,193
Jun	392.2	-0.3	393.3	392.0	1,598	21,835
Aug	394.1	-0.4	395.0	395.0	233	4,282
Oct	396.2	-0.5	-	-	28	3,589
Total					22,688	141,418

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	407.8	-2.8	411.4	407.0	3,779	10,121
Apr	408.9	-3.0	412.5	408.0	2,135	9,036
Jul	410.4	-2.7	412.5	412.5	38	1,940
Oct	411.8	-2.7	413.5	412.5	1	1,023
Jan	413.4	-2.7	-	-	20	25
Total					5,964	22,145

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	129.95	-3.05	131.00	131.00	0	26
Mar	131.70	-3.30	135.50	131.25	353	5,322
Jun	133.20	-3.30	-	-	100	455
Total					355	5,808

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Dec	510.2	-3.1	515.0	512.0	114	85
Jan	510.9	-3.2	513.0	512.0	1	-
Mar	516.5	-3.2	522.0	516.0	7,406	80,359
May	521.2	-3.2	526.0	522.0	187	9,894
Jul	525.6	-3.2	530.0	526.0	46	7,701
Sep	530.0	-3.2	533.5	531.5	5	8,848
Total					7,802	95,671

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	19.22	-0.45	19.74	19.03	38,934	25,136
Feb	18.85	-0.10	19.15	18.63	34,286	91,816
Mar	18.61	-0.09	18.75	18.47	11,088	42,885
Apr	18.31	-0.12	18.44	18.27	3,417	24,293
May	18.10	-0.10	18.25	18.06	2,257	14,453
Jun	17.91	-0.08	18.00	17.35	3,379	30,095
Total					96,182	380,386

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	17.79	-0.09	17.95	17.71	12,811	78,154
Mar	17.36	-0.15	17.56	17.33	5,718	22,898
Apr	17.10	-0.11	17.27	17.10	805	11,279
May	16.89	-0.08	17.01	16.89	350	5,586
Jun	16.69	-0.05	16.81	16.66	870	9,824
Jul	16.55	-0.04	16.60	16.55	250	4,360
Total					18,780	40,489

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	58.90	-0.21	59.65	58.35	23,026	45,036
Feb	57.35	-0.01	58.00	56.80	17,002	44,472
Mar	54.80	-0.06	55.15	54.30	4,048	19,408
Apr	51.80	-0.26	52.15	51.70	985	5,510
May	49.75	-0.46	50.10	49.75	146	8,769
Jun	48.90	-0.46	49.05	48.90	734	8,592
Total					46,281	146,711

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	171.00	+0.75	172.00	169.50	7,514	35,462
Feb	167.00	-	168.50	166.25	6,799	19,744
Mar	163.25	+0.25	164.25	163.25	762	5,977
Apr	159.25	+0.25	160.25	159.00	364	3,299
May	157.00	-	158.25	157.00	135	1,288
Jun	154.75	-0.25	155.75	154.75	941	3,508
Total					16,746	78,768

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.703	+0.199	2.720	2.610	34,679	35,560
Feb	2.394	+0.100	2.394	2.285	13,928	37,548
Mar	2.157	+0.072	2.170	2.088	5,771	21,158
Apr	1.975	+0.044	1.980	1.935	4,184	13,863
May	1.810	+0.065	1.835	1.805	2,001	11,856
Jun	1.760	-	1.780	1.760	1,156	-
Total					64,283	183,161

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	59.25	-0.68	60.10	59.00	12,754	21,805
Feb	56.90	-0.33	57.35	56.40	7,138	25,112
Mar	55.46	-0.08	55.70	55.00	2,375	11,722
Apr	57.25	-0.05	57.30	57.00	500	5,910
May	-	-	-	-	137	5,080
Jun	56.00	-	56.30	56.00	17	2,404
Total					22,947	76,987

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	125.15	-0.10	125.65	125.25	56	882
Mar	127.15	-0.10	127.50	127.25	142	2,580
May	129.10	-0.05	129.75	129.10	177	3,312
Jul	131.20	-0.05	131.50	131.50	10	373
Sep	113.25	+0.25	-	-	-	72
Nov	115.40	+0.15	115.80	115.50	10	923
Total					395	8,159

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	510.75	-5.00	517.00	510.00	1,272	1,031
Mar	507.00	+0.50	509.00	502.50	12,164	59,112
May	468.75	+1.25	469.50	464.50	1,016	8,017
Jul	433.00	+3.50	434.00	428.50	2,739	26,268
Sep	433.00	+3.75	434.50	429.00	204	4,786
Dec	440.00	+4.00	440.00	435.50	87	2,192
Total					17,480	101,486

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	343.25	+1.00	344.50	339.75	4,728	3,968
Mar	354.75	+3.00	355.00	350.75	45,299	102,280
May	357.75	+3.50	358.00	353.50	6,470	92,118
Jul	355.00	+3.50	355.25	351.25	6,390	67,723
Sep	307.25	+2.00	307.50	305.00	1,879	14,053
Dec	295.00	+1.75	295.25	293.00	5,136	34,150
Total					70,223	400,683

■ BARLEY LCE (£ per tonne)

Jan	115.40	-0.35	115.90	115.90	25	582
Mar	117.65	-0.45	118.15	118.00	21	810
May	119.25	-	119.80	119.25	22	393
Sep	109.25	+0.25	-	-	-	20
Nov	111.25	+0.25	-	-	-	56
Total					78	1,841

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	740.75	+7.60	741.75	739.25	15,506	-
Mar	750.50	+7.60	751.60	740.00	28,821	70,062
May	754.25	+7.60	755.00	743.00	3,054	17,968
Jul	753.50	+7.60	754.00	743.50	3,978	23,140
Aug	747.00	+6.25	747.50	739.00	226	1,887
Sep	718.25	+1.60	721.25	714.00	184	1,989
Total					88,120	194,291

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	25.45	+0.11	25.60	25.45	680	338
Jan	25.72	+0.36	25.74	25.44	8,371	24,893
Mar	26.02	+0.39	26.03	25.74	9,905	30,922
May	26.30	+0.35	26.30	26.05	1,865	11,907
Jul	26.45	+0.31	26.50	26.24	631	9,904
Aug	26.51	+0.31	26.55	26.38	48	2,390
Total					21,775	85,363

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	232.4	-0.1	236.0	229.8	2,660	965
Jan	234.7	+0.8	236.0	230.0	14,841	29,168
Mar	236.5	+1.2	238.5	233.0	12,147	61,262
May	236.0	+1.8	238.7	233.5	2,049	12,172
Jul	236.9	+1.7	237.7	233.5	2,290	12,667
Aug	234.6	+1.5	234.0	232.5	210	1,858
Total					34,896	112,573

■ POTATOES LCE (£/tonne)

Mar	270.0	-	-	-	-	-
Apr	240.5	-10.5	250.0	237.0	162	1,168
May	275.0	-5.0	278.0	278.0	3	8
Jun	325.0	-	-	-	-	-
Total					176	1,186

■ FREIGHT (BIFFEX) LCE ($10/index point)

Dec	1636	-	1636	1636	2	194
Jan	1560	-5	1585	1560	151	1,108
Apr	1505	+5	1505	1500	17	1,405
Jul	1332	+7	1330	1330	25	668
Oct	1416	+1	1410	1418	10	198
Jan	1480	+10	-	-	-	22
Total					204	3,802

	Close	Prev
BFI	1630	1637

FUTURES DATA
All futures data supplied by CMS.

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.6%, $ per tonne, 3,250-3,300 (3,300-3,400). **Bismuth:** min. 99.99%, tonne lots 3.95-4.25. **Cadmium:** min, 99.95%, 180-195 (190-200) cents a pound. **Cobalt:** MB free market, 99.8%, 31.75-33.25; (32.00-33.50), 99.3% 28.00-29.50 (28.40-29.90). **Mercury:** min, 99.99%, $ per 76 lb flask, 150-170. **Molybdenum:** drummed molybdic oxide, 4.30-4.55. **Selenium:** min 99.5%, 3.60-4.50. **Tungsten ore:** standard min, 65%, $ per tonne unit (10kg) WO₃, cif, 55-62 (60-68). **Vanadium:** min. 98%, cif, 3.10-3.20 (3.10-3.25). **Uranium:** Nuexco exchange value, 10.00.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	865	-16	880	880	24	45
Mar	910	-7	918	907	3,980	38,631
May	930	-6	938	928	614	14,451
Jul	949	-7	956	947	582	7,153
Sep	967	-6	975	966	1,158	28,834
Dec	985	-3	990	984	534	7,152
Total					8,923	118,323

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1274	-	1280	1264	12,145	38,652
May	1299	+4	1301	1290	4,710	16,575
Jul	1320	+4	1322	1311	475	5,884
Sep	1343	+4	1344	1335	173	9,572
Dec	1370	+4	1368	1366	24	8,095
Mar	1395	+3	1397	1393	103	2,817
Total					7,234	26,236

■ COCOA (ICCO) (SDR's/tonne)

Dec 18	Price	Prev. day
Daily	920.92	937.39

■ COFFEE LCE ($/tonne)

Jan	2117	-34	2150	2100	1,274	9,256
Mar	1798	-55	1850	1791	2,838	14,447
May	1686	-53	1725	1685	735	6,308
Jul	1648	-49	1670	1645	103	3,162
Sep	1626	-55	1650	1620	83	1,217
Nov	1605	-60	1625	1610	18	394
Total					5,050	34,786

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	100.90	-7.70	108.00	103.00	121	109
Mar	99.50	-2.80	101.40	98.50	6,290	18,863
May	96.55	-2.50	100.00	97.60	604	4,100
Jul	98.60	-2.80	100.20	98.10	252	1,472
Sep	98.60	-2.90	99.55	98.50	14	923
Dec	98.75	-1.75	98.50	98.75	10	615
Total					7,224	28,230

■ COFFEE (ICO) (US cents/pound)

Dec 18	Price	Prev. day
Comp. daily	98.90	103.18
15 day average	104.16	105.12

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	11.10	-	-	-	-	-
Jul	11.18	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

Mar	350.7	+1.2	350.8	348.5	677	14,785
May	340.2	+1.7	340.8	339.0	234	7,326
Aug	331.2	+1.5	331.2	329.2	393	3,999
Oct	305.9	+1.9	306.2	305.0	166	3,548
Dec	300.6	+2.3	301.0	301.0	101	1,724
Mar	300.1	+2.1	301.0	301.0	13	322
Total					1,382	31,921

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	11.38	+0.09	11.39	11.27	10,520	82,555
May	11.01	+0.12	11.03	10.88	1,678	24,570
Jul	10.47	+0.07	10.48	10.38	1,230	16,826
Oct	10.21	+0.08	10.22	10.13	580	18,734
Mar	9.91	+0.05	9.94	9.94	168	10,989
May	9.80	+0.09	9.83	9.76	10	1,465
Total					14,294	155,959

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	81.04	-1.91	83.30	80.95	9,975	24,962
May	80.47	-1.85	82.85	80.40	1,420	9,237
Jul	79.95	-1.65	82.00	79.90	1,298	7,242
Oct	78.65	-0.85	79.00	78.50	173	1,581
Dec	76.45	-0.82	77.10	76.45	644	9,748
Mar	77.47	-0.45	78.00	77.60	30	802
Total					13,589	54,354

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	116.30	+0.73	116.50	115.95	1,837	9,177
Mar	119.80	+1.20	120.00	119.00	2,575	8,424
May	122.50	+1.20	122.60	122.10	215	1,849
Jul	125.10	+1.10	124.50	124.25	12	665
Sep	127.35	+1.10	128.00	128.00	148	385
Mar	126.00	+1.25	125.50	125.50	77	285
Total					5,090	22,332

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 19	Dec 18	month ago	year ago
2114.4	2133.4	2184.2	2196.0

■ CRB Futures (Base: 1967=100)

Dec 18	Dec 15	month ago	year ago
245.04	244.95	-	-

■ GSCI Spot (Base: 1970=100)

Dec 18	Dec 15	month ago	year ago
197.91	195.71	187.94	174.27

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	67.300	+0.025	67.325	66.750	1,298	3,789
Feb	67.750	+0.200	67.850	67.050	5,286	29,027
Apr	67.325	+0.050	67.375	66.975	1,966	16,229
Jun	63.250	+0.050	63.300	63.050	630	9,025
Aug	62.350	+0.350	62.450	62.000	515	4,039
Oct	63.725	+0.400	63.775	63.350	457	3,470
Total					10,182	66,529

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Dec	48.075	-0.600	48.700	48.000	592	1,882
Feb	49.875	-0.575	50.300	49.450	2,883	16,269
Apr	49.350	-0.625	49.950	49.200	784	7,500
Jun	54.400	-0.375	54.775	54.150	296	5,145
Jul	53.650	-0.250	53.900	53.425	152	2,354
Aug	52.475	-0.225	52.700	52.250	64	1,853
Total					4,833	38,398

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	60.550	-0.300	60.800	60.000	2,509	5,148
Mar	60.475	-0.575	60.850	60.000	246	1,015
May	61.800	-0.100	61.800	61.200	31	490
Jul	62.700	-0.650	62.400	62.000	99	617
Aug	59.825	-0.375	60.650	59.800	14	173
Total					2,899	7,443

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Jan	Mar	Jan	Mar
1600	72	111	3	25
1700	11	54	41	66
1800	-	21	130	133
■ COPPER (Grade A) LME	Jan	Mar	Jan	Mar
2700	-	83	-	88
2800	59	45	22	148
2900	15	-	78	-
■ COFFEE LCE	Jan	Mar	Jan	Mar
1950	167	-	-	20
2000	117	-	-	30
2050	68	-	-	-
■ COCOA LCE	Mar	May	Mar	May
850	67	91	-	-
875	49	72	-	-
900	34	56	-	-
■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1650	-	-	-	-
1700	-	-	7	28
1750	-	43	19	44

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$16.73-6.81w	-0.165
Brent Blend (dated)	$17.94-7.96	-0.200
Brent Blend (Feb)	$17.74-7.76	-0.150
W.T.I. (1pm est)	$18.92-8.95w	-0.140

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$170-172	
Gas Oil	$176-177	
Heavy Fuel Oil	$102-104	+1
Naphtha	$160-162	-1.5
Jet fuel	$199-201	+2
Diesel	$180-181	+1

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

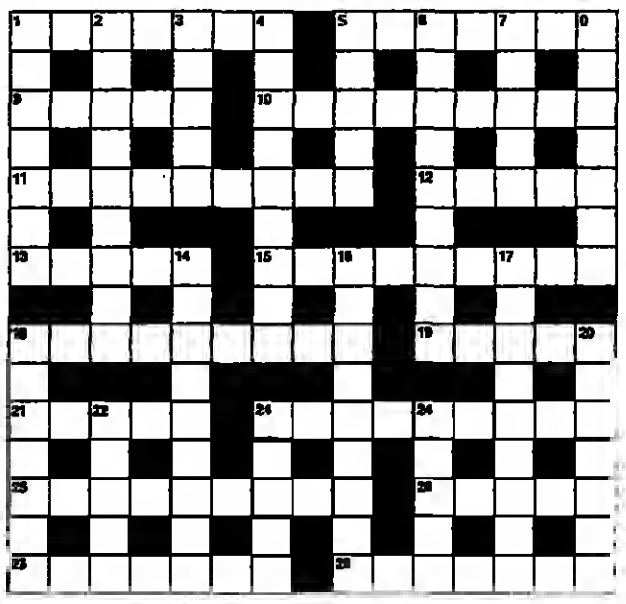
Gold (per troy oz)♣	$387.75	+0.45
Silver (per troy oz)♣	517.5c	
Platinum (per troy oz.)	$410.00	+2.10
Palladium (per troy oz.)	$132.50	+1.00
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.66m	+0.02
Tin (New York)	286.5c	-2.5
Cattle (live weight)†	119.69p	-0.77*
Sheep (live weight)†♠	115.73p	-1.76*
Pigs (live weight)†	116.73p	+8.65*
Lon. day sugar (raw)	$303.3	-3.1
Lon. day sugar (wte)	$375.0	-2.0
Barley (Eng. feed)	£117.75z	
Maize (US No3 Yellow)	$150.5z	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	108.00p	-1.0
Rubber (Feb)♥	108.00p	-1.0
Rubber (KL RSS No1)	409.5m	-3.5
Coconut Oil (Phil)§	$720.0y	
Palm Oil (Malay.)§	$587.5z	+5.0
Copra (Phil)§	460.0u	
Soyabeans (US)	210.0z	+3.0
Cotton Outlook 'A' index	87.25c	-0.60
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Dec/Jan. ♥ w Feb. y Jan/Feb. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,949 Set by VIXEN



ACROSS

1 Win copper's backing with many a letter written (7)
5 A worrying dog? (7>
9 Row and make a point in anger (5)
10 The charts used by certain craftsmen (9)
11 A journalist holding souod rule should be denounced (9)
12 Total put into circulation (5)
13 Go for small stuff (5)
15 Thus came down river to see the game (9)
18 Painstaking preparation (9)
19 Classes stare around (5)
21 Regret holding back record that could make mooey abroad (5)
23 Getting rid of contention (9)
25 Belligerent individual taking dope to sicken a social worker (9)
26 Note overdue transport (5)
27 Masseur working for a Renaissance man (7)
28 Leave without second course (7)

DOWN

1 Not entirely confident father's direction is better (7)
2 Caught in time – show up as a bloomer (9)
3 Soma species of laurel emit this fragrant resin (5)
4 Devil-worshippers requirlog new assistant (9)
5 The fellow having a way with him gets listened to (5)
6 A person making report about shop-fitting (9)
7 Popular pet as it may be, it's really oot suitable (5)
8 Book to keep for oneself (7)
14 Drawing that comes naturally (9)
16 Cut and tied without charge (9)
17 Making up can tire – it is so complicated (9)
18 Size of military body needed to occupy a prison (7)
20 Detectives in hard division (7)
22 Manufactured food – finished article (5)
23 Arrests supporters (5)
24 Newspaper drive? (5)

Solution 8,948

A	R	D	E	N	T		M	A	R	M	O	S	E	T
N		E		U				D		I		A		R
T	O	M	A	T	O		F	A	L	S	E	T	T	O
I		E		R		M		M		N		R		P
M	A	R	Z	I	P	A	N		P	O	T	A	S	H
O		A		A		W		C		M		P		Y
N	O	R	M		S	K	I	L	L	E	T			
Y		A		M		I		A		R		C		P
			C	O	N	S	O	R	T		P	O	O	L
H		R		R		H		I		I		A		A
E	Q	U	A	T	E		F	O	R	M	A	L	L	Y
R		N		G		M		N		P		F		M
M	A	N	D	A	L	A	Y		C	A	N	A	D	A
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S	E	R	G	E	A	N	T		R	E	V	E	R	E

AMERICAS NEWS DIGEST

Xerox to restructure into three divisions

Xerox, the office products company, is to restructure into three divisions. These comprise production systems, taking in printing and publishing systems and professional services; office document products, or office copiers; and desktop products, taking in personal copiers and desktop printers.

Mr Peter van Cuylenberg, head of operations, is to leave the company. Xerox said this was because the re-organisation eliminated the level of management between the three new divisional heads and the chief executive, Mr Paul Allaire. Mr van Cuylenberg, who joined in 1993, will remain as a consultant. Recent changes to Xerox's operations include its withdrawal from the insurance business and the increase in its Rank Xerox stake from 51 per cent to 71 per cent.

Tony Jackson, New York

Pembina in hostile bid for Mark

The frenetic pace of mergers and takeovers in Canada's oil and gas industry has continued with Pembina Resources of Calgary leading a C$500m (US$363m) hostile offer for Mark Resources.

The Pembina bid comes on the heels of a spate of proposed energy deals, with a total value of more than C$2bn so far this month. Low North American oil and gas prices have made acquisitions more attractive than developing new wells.

Pembina Acquisition Corp, a consortium led by Pembina Resources, has offered C$7 for each of Mark's 55m shares. Pembina would also take over about C$135m in debt. The bid price represents an 18 per cent premium over Mark's market price in the past month. The consortium includes the Ontario teachers' pension fund.

Pembina is controlled by Alberta's Mannix family, which has widespread mining and energy interests in western Canada but keeps a low profile. Mark, which is widely-owned, rejected the Pembina offer as inadequate.

Bernard Simon, Toronto

CP sells out of United Dominion

Canadian Pacific has sold its last block of shares in United Dominion Industries, a US-based engineered products group, as it completes its programme of disposals. CP is concentrating on transportation, energy, hotels and property. Proceeds of the sale of 10m UDI shares will go to retiring a 1992 CP debenture issue.

Robert Gibbens, Montreal

Imasco disposes of fast food unit

Imasco, the financial services, tobacco and retailing group 40 per cent held by BAT Industries of the UK, is selling its loss-making Roy Rogers fast food unit in the US, closing one food processing plant and laying off 279 staff. A C$325m (US$236m) special charge will be taken in the fourth quarter, mostly to cover a write-down of Roy Rogers assets.

Imasco earned C$398m in the first nine months this year, up 12 per cent from a year earlier. Imasco will concentrate on improving profitability at its Hardee's fast food chain with almost 3,500 outlets.

Robert Gibbens

Fresh profits warning from Whirlpool as shipments fall

By Tony Jackson in New York

Whirlpool of the US, the world's biggest producer of white goods, has issued its second profits warning in six months. It said shipments in Germany and France, making up half its European business, were down by almost one-third in recent months.

Whirlpool, which had warned in June of an apparently temporary drop in sales in Europe and North America, said its fourth-quarter earnings would be well below analysts' expectations of 80 cents a share. In the fourth quarter of last year, it made $1.27 a share. Whirlpool's shares fell $1⅝ to $52⅝ in early New York trading yesterday.

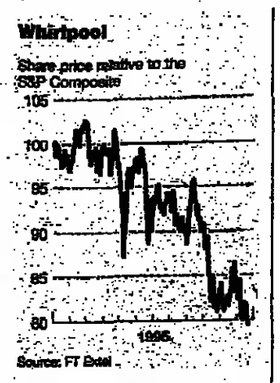
The company said shipments for the white goods industry as a whole in Germany were down 32 per cent year-on-year in September, 30 per cent in October and 29 per cent in November. In France, shipments were up 2 per cent in September, but down 33 per cent in October and 20 per cent in November.

Whirlpool attributed the fall to general economic conditions. In addition, it said shipments in France were being seriously hampered by strikes, which were halting the movement of goods.

In the US, industry shipments had dipped about 2 per cent year-on-year in October and November, having been flat in preceding months. However, there had been continued trading down by consumers to cheaper models, while the rise in raw material costs had continued.

The company said it expected a recovery in 1996. North American raw material prices were expected to rise only slightly, while the company had put through price increases of 3 per cent in North America and parts of Europe, effective on January 1.

Whirlpool said its expansion in Asia was going according to plan, and that earnings from Latin America would rise sharply this year.



TAG sells big stake in Swiss watch unit

By Thierry Meyer

TAG, the Saudi-owned investment group, has sold a large stake in TAG Heuer, its Swiss watchmaking subsidiary, for about SFr500m ($435m). Three members of the Swiss company's management, headed by Mr Christian Viros, now have 15 per cent of the shares and CWB Capital Partners, a European equity investment group, has 41 per cent. TAG retains 44 per cent and overall control.

As part of the reorganisation of its capital structure, TAG Heuer has also raised SFr415m of senior bank debt arranged by Union Bank of Switzerland, and issued $110m worth of senior subordinated notes led by Salomon Brothers. The latter, a 10-year bond with a 12 per cent coupon, has been sold to institutional investors.

SBC Warburg, which acted as financial adviser to the TAG group, said the transaction was not only a way for TAG to cash in assets, but also a first step toward increased independence for the watchmaker. "We anticipate strong growth for the company and it is expected that TAG Heuer will be listed in a few years," said Mr Mansour Ojjeh, group chairman.

Mr Viros, TAG Heuer general manager, said the company was looking ahead to "three to four transition years before going public. We want to strengthen our market position, under the financial commitment following this recapitalisation. We then will look for diversifications."

Mr Viros said Tag Heuer would continue to invest heavily in advertising and sponsorship (mainly in sport) to achieve growth in specified markets. The latest Tag Heuer campaign has cost more than SFr50m.

TAG acquired the Swiss sports watch and chronograph maker a decade ago. Since the new owners recruited the present management team in 1988, Tag Hener has become the fifth-largest Swiss watch brand, with consolidated net sales increasing at an average of 32 per cent, to SFr344m in 1994.

Ameritech and IBM form desktop alliance

By Maggie Urry in New York

Ameritech, the mid-west based telecommunications group, and IBM, the computer company, are forming a joint venture to market integrated desktop voice, data and video services combing computer and telecommunications technologies.

The two said the alliance was targeting one of the fastest growing segments of the technology services market. The market is estimated to be worth $30bn a year and to be growing at 15 per cent annually.

Mr Steve Mucbetti, IBM's general manager for telecommunications and media, said: "The convergence of communications and computing technologies creates the opportunity for companies like Ameritech and IBM to combine their core skills and fashion new services for their customers."

The joint venture will provide customers with a "one-stop help desk" which, it claimed, was unavailable from any other provider. The customer service facility will be built inside Ameritech's five-state region which includes Illinois, Indiana, Michigan, Ohio and Wisconsin.

Through the joint venture, the two companies will provide a total of $400m of desktop services to each other over the next seven years.

The alliance said it would provide services such as telephones, printers, personal computers, software, wiring, local area networks, servers, videoconferencing equipment, fax equipment, voice mail, paging and wireless equipment.

US Treasuries rally sharply as Fed cuts rate

By Lisa Bransten in New York and Antonia Sharpe in London

GOVERNMENT BONDS

US Treasury bonds rallied sharply at mid-afternoon yesterday after the Federal Reserve announced that it had cut the target short-term interest rate by 25 basis points, to 5½ per cent.

Trading had been volatile all day as investors adjusted their positions after Monday's sharp sell-off and prepared for the announcement from the Fed's Open Market Committee.

Bonds began rising in the early afternoon ahead of the Fed announcement, amid growing optimism that the Fed would move and that President Bill Clinton and the Congress were making progress toward passage of a balanced budget agreement.

By 2:45, the benchmark 30-year Treasury was a point higher at 110⅛ to yield 6.125 per cent. At the short end of the market, the two-year note added 3/32 to 100 1/32, yielding 5.322 per cent.

The yield curve that maps the spread between two-year and 30-year bonds steepened by more than 4 basis points from its level of late Monday, as the short end of the market rallied.

Initial reaction the Fed's move was muted as some investors used the initial spike to take profits, according to Mr John Spinello, a government bonds strategist at Merrill Lynch.

Bonds had seen a sharp sell-off on Monday as growing acrimony over the budget worried many investors that the Fed would not cut rates this month.

Investors were still looking to Washington for word of progress on a budget package. President Bill Clinton and Congressional leaders were to begin a negotiating session yesterday afternoon.

■ European government bond markets were generally softer yesterday as dealers awaited news from the FOMC meeting in the US. There was no sign that the Fed funds rate would be lowered. Trading remained thin across the board as markets wound down for the long holiday break over Christmas and the new year.

■ UK government bonds saw their spread over Germany widen slightly to 157 basis points from just under 150 basis points on Monday as several support levels were breached, causing technical selling in the futures market.

Analysts said profit-taking was inevitable after the market's strong performance over past weeks. On Liffe, the March contract of the long gilt future fell 7/32 to 109 13/32 in modest volume of just over 50,000 lots.

Some data scheduled for today are unlikely to provide the market with fresh direction.

The market is expecting non-EU trade figures for November, which should show a deficit of £800m, provisional M4 data for November, expected to show a rise of 0.8 per cent on the month and 8.7 per cent on the year, and November net new commitments by building societies, forecast at £3.1bn.

■ German government bonds recouped some of Monday's losses but still ended the day lower. On Liffe, the March bund future traded between a low of 98.14 and a high of 98.75 before settling down 0.19 point at 98.60 in volume of 141,000 contracts.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	110.1900	−0.510	8.48	9.32	9.62
Austria		6.500	11/05	100.0000	−0.400	6.50	6.53	6.79
Belgium		6.500	03/05	98.2100	−0.290	6.79	6.70	6.82
Canada *		8.750	12/05	109.3400	−0.380	7.40	7.36	7.62
Denmark		9.000	03/06	104.2000	−0.640	7.39	7.32	7.65
France	BTAN	7.750	04/00	106.7500	−0.180	5.92	5.97	6.33
	OAT	7.750	10/05	107.0700	−0.410	6.75	6.82	7.12
Germany Bund		6.500	10/05	102.6800	−0.210	6.12	6.11	6.37
Ireland		6.250	10/04	91.7500	−0.550	7.56	7.46	7.89
Italy		10.500	09/05	97.3500	−0.360	10.95†	10.88	11.33
Japan	No 129	6.400	03/00	119.8720	−0.370	1.42	1.29	1.45
	No 174	4.600	09/04	113.4680	−0.410	2.70	2.61	2.74
Netherlands		6.750	11/05	104.2300	−0.280	6.16	6.13	6.37
Portugal		11.875	02/05	110.7000	−0.450	10.02	10.17	11.01
Spain		10.150	01/06	100.2200	−0.180	9.94	10.06	10.15
Sweden		6.000	02/05	83.2240	−0.760	8.74	8.71	9.17
UK Gilts		6.000	12/00	104-20	−11/32	6.88	6.86	7.23
		8.500	12/05	106-22	−18/32	7.53	7.44	7.84
		9.000	10/08	110-17	−22/32	7.69	7.60	7.97
US Treasury *		5.875	11/05	100-04	−13/32	5.86	5.73	5.94
		6.875	08/25	109-05	−20/32	6.20	6.05	6.28
ECU (French Govt)		7.500	04/05	102.7000	−0.740	7.09	7.07	7.49

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.41	Two year	5.41
Prime rate	8¾	Two month	5.35	Three year	5.49
Broker loan rate	7½	Three month	5.31	Five year	5.64
Fed.funds	5¾	Six month	5.39	10-year	5.86
Fed.funds at intervention	5¾	One year	5.35	30-year	6.19

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	119.74	119.54	−0.56	119.82	119.16	152,009	119,732
Jun	120.16	119.85	−0.56	120.20	119.78	599	3,981
Sep	119.30	119.10	−0.56	119.30	119.30	2	615

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jan	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Mar	PUTS Jun
118	-	2.19	-	0.07	0.67	0.68
119	0.72	1.45	-	0.22	0.99	-
120	0.25	0.90	-	0.74	1.44	1.75
121	0.05	0.53	1.18	-	2.01	-
122	0.01	0.27	-	-	-	-

Est. vol. total, Calls 17,042 Puts 21,640. Previous day's open int., Calls 141,879 Puts 149,247.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.48	98.55	−0.24	98.75	98.14	145635	211786
Jun	97.84	97.88	−0.27	97.98	97.60	275	1126

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9850	0.18	0.65	0.91	1.07	0.13	0.60	0.86	1.69
9900	0.03	0.42	0.67	0.87	0.48	0.87	1.12	1.99
9950	0	0.26	0.48	0.69	0.95	1.21	1.43	2.31

Est. vol. total, Calls 32450 Puts 19853. Previous day's open int., Calls 190715 Puts 180401

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	105.70	105.89	−0.05	106.28	105.55	31055	49230
Jun		105.49	−0.05			0	1092

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
10550	1.87	2.59	1.48	2.60
10600	1.60	2.34	1.71	2.85
10650	1.36	2.12	1.97	3.13

Est. vol. total, Calls 1751 Puts 524. Previous day's open int., Calls 40487 Puts 30223

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	94.05	94.23	−0.12	94.26	93.70	59,284	40,488

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-21	110-06	−0-18	110-24	109-28	6794	22327
Mar	110-04	109-25	−0-19	110-12	109-08	52172	127626

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
109	0-53	1-32	1-56	2-21	0-03	0-46	1-06	2-07
110	0-10	0-60	1-21	1-53	0-24	1-10	1-35	2-39
111	0-01	0-34	0-57	1-27	1-15	1-48	2-07	3-13

Est. vol. total, Calls 2419 Puts 2421. Previous day's open int., Calls 27187 Puts 26225

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	89.96	89.56	−0.64	89.96	89.30	1,496	6,022

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	118-17	118-05	−0-14	118-22	117-29	12,724	48,163
Mar	118-11	117-28	−0-15	118-19	117-20	261,315	363,732
Jun	117-28	117-19	−0-13	117-31	117-06	3,107	16,653

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	121.30			121.40	121.24	2720	0
Jun	119.85			119.85	119.85	50	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Dec 19	Day's change %	Mon Dec 18	Accrued interest	xd adj. ytd		Low coupon yield Dec 19	Low coupon yield Dec 18	Low coupon yield Yr. ago	Medium coupon yield Dec 19	Medium coupon yield Dec 18	Medium coupon yield Yr. ago	High coupon yield Dec 19	High coupon yield Dec 18	High coupon yield Yr. ago
1 Up to 5 years (23)	122.91	−0.14	123.08	1.64	10.77	5 yrs	6.96	6.87	8.51	6.98	6.89	8.50	7.04	6.98	8.89
2 5-15 years (21)	149.15	−0.54	149.96	1.49	12.47	15 yrs	7.72	7.63	8.36	7.76	7.68	8.51	7.82	7.74	8.72
3 Over 15 years (8)	166.45	−0.76	167.73	2.29	13.13	20 yrs	7.80	7.72	8.33	7.83	7.74	8.51	7.87	7.80	8.65
4 Irredeemables (6)	191.53	−0.87	193.22	1.75	13.71	Irred.†	7.88	7.80	8.41						
5 All stocks (58)	144.31	−0.45	144.97	1.70	12.10										

Index-linked							Inflation 5% Dec 19	Inflation 5% Dec 18	Inflation 5% Yr. ago	Inflation 10% Dec 19	Inflation 10% Dec 18	Inflation 10% Yr. ago
6 Up to 5 years (1)	195.72	−0.13	195.97	1.31	8.37	Up to 5 yrs	2.58	2.51	3.96	1.33	1.26	2.86
7 Over 5 years (11)	188.46	−0.18	188.79	0.95	6.10	Over 5 yrs	3.52	3.51	3.94	3.31	3.30	3.64
8 All stocks (12)	188.49	−0.18	188.82	0.95	5.17							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 19	Dec 18	Dec 15	Dec 14	Dec 13	Yr ago	High*	Low*
Govt. Secs. (UK)	95.53	95.93	96.10	96.05	95.97	91.90	96.22	90.22
Fixed Interest	114.31	114.96	115.01	114.81	114.82	108.67	115.04	108.77

GILT EDGED ACTIVITY INDICES

	Dec 18	Dec 15	Dec 14	Dec 13	Dec 12
Gilt Edged bargains	83.0	79.2	87.1	87.2	78.9
5-day average	83.1	80.9	81.1	82.1	87.0

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 19

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99¼	99⅜		5.70
Abbey Natl Treasury 6½ 03	1000	100⅞	101⅛	−¼	6.34
ABN Amro Bank 7¼ 05	1000	105½	105⅞	−⅛	6.57
African Dev Bk 7⅜ 23	500	104⅝	105¼	−¼	6.99
Alberta Province 7⅜ 99	1000	104⅝	105⅛	−⅛	5.73
Asian Dev Bank 6¼ 05	750	100⅝	100¾	−⅛	6.25
Austria 8½ 00	400	109⅛	109½	−⅛	5.92
Baden-Wuert L-Fin 8⅛ 00	1000	107⅝	107⅞	−⅛	5.97
Bank Ned Gemeenten 7 98	1000	103⅝	103⅞	−½	5.88
Bayer Vereinsbk 8⅛ 00	500	107⅜	107⅝	−⅛	6.04
Belgium 5½ 06	1000	95⅜	95⅝	−¼	6.26
BFCE 7¼ 97	150	102¼	102½	−⅛	5.74
British Columbia 7¾ 02	500	108	108⅜	−¼	6.21
British Gas 0 21	1500	14⅜	14⅞	−⅛	7.78
Canada 6½ 97	2000	101⅜	101½		5.52
Cheung Kong Fin 5½ 98	500	96⅛	96⅜	−⅛	7.07
China 6½ 04	1000	96¾	97½	−⅛	7.15
Credit Foncier 9½ 99	300	110⅝	110⅝	−⅛	5.80
Denmark 5¾ 98	1000	100⅜	100⅝	−⅛	5.55
East Japan Railway 6⅝ 04	600	101⅜	101⅝	−¼	6.40
EIB 6 04	500	98¾	99	−¼	6.19
EIB 9¼ 97	1000	106½	106¾	−⅛	5.55
Elec de France 9 98	200	106⅞	107		5.74
Ex-Im Bank Japan 8 02	500	109½	109⅞	−¼	6.15
Export Dev Corp 9½ 98	150	108⅝	108⅞		5.76
Fed Home Loan 7⅜ 99	1500	104¼	104½	−¼	5.88
Federal Natl Mort 7.40 04	1500	108¼	108½	−⅜	6.24
Finland 6¾ 97	3000	102⅛	102⅜	−⅛	5.65
Ford Motor Credit 6¼ 98	1500	100¾	101	−⅛	5.96
Ind Bk Japan Fin 7⅞ 97	200	102⅞	102⅝	+⅛	5.92
INI Finance 5¼ 98	650	98½	98⅞	−⅛	5.81
Inter-Amer Dev 7½ 05	500	108¼	108½	−⅛	6.29
Intl Finance 6¼ 99	500	99	99¼	−⅛	5.61
Italy 6 03	2000	97½	97¾	−⅛	6.51
Italy 6⅞ 23	3500	94½	94⅞	−⅝	7.49
Japan Dev Bk 8⅛ 01	500	110¼	110⅜	−⅛	6.02
Korea Elec Power 6⅜ 00	1350	98⅝	99	−⅛	6.71
Matsushita Elec 7¼ 02	1000	105¾	106	−¼	6.27
Norway 7¼ 97	1000	102	102¼		5.80
Ontario 7⅜ 03	3000	106¼	106½	−¼	6.37
Oster Kontrollbank 8½ 01	200	110¾	111⅛	−⅛	6.08
Portugal 5¾ 03	1000	97⅜	97⅝	−⅛	6.27
Quebec Hydro 9¾ 98	150	109	109⅜		6.11
Quebec Prov 9 98	200	106	106¾		6.10
SAS 10 99	200	110½	111⅛	+⅛	6.25
SNCF 6½ 98	150	108⅝	109	−⅛	5.79
Spain 6½ 99	1500	102	102⅜	−⅛	5.89
Sweden 6½ 05	2000	102¼	102½	−⅛	6.20
TENNESSEE VALLEY 6 06	1000	100⅜	100⅝	−⅛	5.90
Tennessee Valley 6⅜ 05	2000	101⅜	101⅞	−⅛	6.24
Tokyo Elec Power 6⅛ 03	1000	98¾	99	−⅛	6.33
Toyota Motor 5⅝ 98	1500	100⅛	100⅝	−⅛	5.55
United Kingdom 7¼ 02	3000	105½	105¾	−⅛	6.08
World Bank 6⅜ 05	1500	101⅞	102⅛	−⅛	6.21
World Bank 8⅜ 99	1500	108⅞	109⅛	−⅛	5.81
World Bank 8¼ 97	1500	103⅞	104⅛	−⅛	5.43
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	93¾	94	−½	7.01
Baden-Wuert L-Finance 6 99	2000	104⅛	104⅜	−¼	4.65
Credit Foncier 7¼ 00	3000	102⅞	103⅛	−½	5.75
Denmark 6⅛ 99	3000	104⅛	104⅜	−⅛	4.21
Depfa Finance 6⅞ 03	1500	100⅞	100⅞	−⅛	6.24
Deutsche Bk Fin 7½ 03	2000	105⅛	105⅜	−½	6.36
EEC 6½ 00	2800	105¼	105⅜	−¼	5.08
EIB 6¼ 00	1500	104⅝	104⅞		5.02
Finland 7½ 00	3000	108½	108⅝	−¼	5.15
Italy 7¼ 98	5000	105¾	105⅞	−⅛	4.37
LKB Baden-Wuert 6½ 08	2250	99⅛	99⅜	+⅛	6.60
Norway 6⅛ 98	1500	104	104⅛	−¼	4.31
Ontario 6¼ 04	1500	98⅝	98⅞	−⅛	6.35
Spain 7¼ 03	4000	105⅝	105⅞	−¼	6.08
Sweden 8 97	2500	107	107⅛	+⅛	4.04
United Kingdom 7⅛ 97	5500	105½	105⅝	−⅛	3.99
Volkswagen Intl Fin 7 03	1000	104¼	104½	−½	6.26
World Bank 0 15	2000	28⅜	28⅞	+⅛	6.45
World Bank 5⅞ 03	3000	99⅞	100	−¼	5.88
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	37½	38	−¼	4.98
Austria 4½ 00	1000	105¾	106	−⅛	3.00
Council Europe 4¾ 98	250	104¾	105¼	+¼	2.48
Denmark 4¼ 99	1000	105¼	105½	−⅛	2.77
EIB 3¾ 99	1000	103¾	104	+⅛	2.46
EIB 6¾ 04	300	114½	115½	+½	4.70
Finland 7¼ 99	500	113¾	114		3.34
Iceland 7⅜ 00	100	114¼	115⅛	−¼	4.16
Inter Amer Dev 4¾ 03	600	104½	104¾	−¼	4.05
Ontario 6¼ 03	400	111¼		−½	4.37
Quebec Hydro 5 08	100	100¼	101		4.97
SNCF 7 04	450	119	119¼		4.35
Sweden 4¼ 03	500	103½	104	−½	4.20
World Bank 0 21	700	28⅜	28¾	−¼	4.98
World Bank 7 01	600	115	115¼	−⅛	3.77
YEN STRAIGHTS					
Belgium 5 99	75000	113½	113¾	−⅛	1.49
Credit Foncier 4¾ 02	75000	110⅞	111⅛	−⅛	2.92
EIB 6⅝ 00	100000	120¼	120½	−⅛	1.64
Ex-Im Bank Japan 4⅜ 03	105000	111	111¼	−⅛	2.78
Inter Amer Dev 7¼ 00	30000	123⅜	123⅝	−¼	1.70
Italy 3½ 01	300000	105¾	106	−⅛	2.39
Japan Dev Bk 5 99	100000	113½	113⅝	−⅛	1.32
Japan Dev Bk 6½ 01	120000	123	123¼	−⅛	2.20
Norway 5⅜ 97	150000	105⅝	105¾		0.47
SNCF 6¾ 00	30000	120½	120¾	−¼	1.65
Spain 5¼ 02	125000	119¼	119½	−¼	2.42
Sweden 4⅝ 98	150000	108⅛	108¼	−⅛	0.78
World Bank 5¼ 02	250000	117¾	117⅞	−¼	2.28
OTHER STRAIGHTS					
Finland 8 04 LFr	5000	105¾	106¾		7.09
Genfinance Lux 9⅛ 99 LFr	1000	106			6.35
IKB Deut Industbk 8½ 03 LFr	3000	106	107		7.38
ABN Amro 6⅝ 00 Fl	1000	105⅛	105¼		5.18
Bank Ned Gemeenten 7 06 Fl	1500	108⅛	108½	+⅛	5.93
Bell Canada 10⅝ 99 C$	100	110⅛	110⅝	−⅛	7.27
British Columbia 7¼ 03 C$	1250	101⅜	101¾	−⅛	7.65
Canada Mtg & Hsg 8¼ 99 C$	1000	104¼	104½	−⅛	7.01
EIB 10⅛ 98 C$	130	107	107⅜	−⅛	6.61
Elec de France 9¼ 99 C$	275	108½	108⅞	−⅛	7.05
KfW Intl Fin 10 01 C$	400	110¾	111⅛	−⅛	7.42
Nippon Tel Tel 10¼ 99 C$	200	110	110½	−⅛	7.16
Ontario 8 03 C$	1500	102¼	102⅝	−⅛	7.73
Ontario Hydro 10⅞ 99 C$	500	110⅞	111⅛	−⅛	7.02
Oster Kontrollbank 10¼ 99 C$	150	109¾	110⅛	−¼	7.07
Quebec Hydro 7 04 C$	1000	94¼	94⅞	−¼	8.13
Quebec Prov 10½ 98 C$	200	108¾	109⅛	−⅛	7.10
Council Europe 9 01 Ecu	1100	110⅞	111⅛	−⅛	6.70
Credit Foncier 8⅜ 04 Ecu	1000	103⅜	103⅞	−⅛	7.79
Denmark 8½ 02 Ecu	1000	108⅞	109⅛	−⅛	6.72
EC 6 00 Ecu	1000	98⅞	99⅛	−⅛	6.27
EIB 10 97 Ecu	1125	105¼	105½	−⅛	5.16
Ferro del Stat 10⅛ 98 Ecu	500	107⅞	108⅛	−⅛	5.93
Italy 10¾ 06 Ecu	1000	114⅞	115¼	−⅛	6.86
United Kingdom 9⅛ 01 Ecu	2750	111⅛	111⅜	−⅛	6.51
AIDC 10 99 A$	100	105⅝	106		8.06
Comm Bk Australia 13¾ 99 A$	100	117⅞	117⅞	−⅛	8.16
EIB 7¾ 99 A$	350	101⅛	101⅜	−⅛	7.51
NSW Treasury Zero 0 20 A$	1000	11⅞	12¼	+⅛	9.02
R & I Bank 7¾ 03 A$	125	94½	94⅞	−⅛	8.77
State Bk NSW 9 02 A$	300	102⅜	102⅝	−⅛	8.51
Sth Aust Govt Fin 9 02 A$	150	101⅞	102¼	−⅛	8.61
Unilever Australia 12 98 A$	150	108	108½	+⅛	8.01
Western Aust Treas 7¾ 98 A$	100	99¾	100¼	+⅛	7.71
Abbey Natl Treasury 8 03 £	1000	101	101⅜	−½	7.80
Alliance Leics 11⅜ 97 £	100	106½	106⅞		6.54
British Land 8⅞ 23 £	150	94⅞	95⅜		9.62
Denmark 6¾ 98 £	800	100	100¼	−⅛	6.73
EIB 9 03 £	1000	102⅞	102⅞	−⅛	7.60
Halifax 10⅜ 97 £	100	104¼	104⅝	−⅛	6.55
Hanson 10⅜ 97 £	500	106	106⅜	−⅛	6.76
HSBC Holdings 11.69 02 £	153	117⅛	117½	−⅛	8.21
Italy 10½ 14 £	400	113¼	113⅝	−½	8.99
Japan Dev Bk 7 00 £	200	99¾	100⅛	−⅛	7.06
Land Secs 9½ 07 £	200	106¾	107¼	−⅛	8.54
Ontario 11⅛ 01 £	100	114⅞	115¼	−⅛	7.52
Powergen 8⅞ 03 £	250	104⅞	105¼	−½	7.95
Severn Trent 11½ 99 £	150	112⅞	113¼	−¼	7.24
Tokyo Elec Power 11 01 £	100	115⅛	115⅝	−⅛	7.47
TCNZ Fin 9¼ 02 NZ$	75	106¼	107⅛	−⅛	7.87
World Bank 12½ 97 NZ$	250	106⅛	106⅝	−⅛	8.49
Credit Local 9 01 FFr	7000	97⅞	98	−½	8.44
Elec de France 8¾ 22 FFr	3000	112	112½	−⅜	7.87
SNCF 9¼ 97 FFr	4000	104⅝	104⅞		5.46

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury −1/16 99	1000	99.72	99.80	5.7500
Bankamerica ⅛ 99	750	99.68	99.78	5.9375
Belgium 1/16 97 DM	500	100.13	100.23	4.4375
Canada −⅛ 99	2000	99.40	99.47	5.6250
CCCE 0.00 Ecu	200	99.35	99.62	5.2812
Commerzbk O/S Fin −⅛ 98	750	99.63	99.71	5.7500
Credit Lyonnais 1/16 00	300	97.77	98.18	5.8750
Credit Lyonnais 0.30 98	1250	100.05	100.13	6.2375
Denmark −⅛ 97	1000	100.00	100.06	5.6875
Dresdner Finance ½ 98 DM	1000	100.02	100.09	4.1484
Ferro del Stat 0.10 97	420	100.02	100.18	5.7500
Finland 0 97	1000	100.03	100.10	5.7500
Finland −⅛ 99	1500	99.73	99.80	5.7812
IMI Bank Intl ¼ 99	500	100.00	100.10	6.1250
Italy 1/16 98	1500	99.80	99.85	6.0000
Italy ¼ 98	2000	100.06	100.14	6.1250
LKB Baden-Wuert Fin −⅛ 99	1000	99.84	99.88	5.6875
Lloyds Bank Perp S 0.10	600	82.25	83.00	5.9855
Malaysia 1/16 05	650	99.43	99.65	6.0000
New Zealand −⅛ 99	1000	99.87	99.93	5.8125
Nova Scotia 1/16 99	500	99.90	99.99	6.0625
Ontario 0 99	2000	99.79	99.86	5.8750
Renfe 0 98	500	99.88	99.92	5.6250
State Bk Victoria 0.05 99	125	99.95	100.11	5.9405
Sweden 0 98	1500	100.01	100.08	5.6250
Sweden −⅛ 01	2000	99.42	99.49	5.7500

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	99	106	+79.22
Chubb Capital 6 98	350	86	113½	114½	−0.65
Gold Kalgoorlie 7½ 00	65	1.37	108	109¼	+23.07
Grand Metropolitan 6½ 00	710	4.37	112⅝	113⅝	+12.60
Hanson 9½ 06 £	500	2.48	100½	101¼	+35.08
Hanson America 2.39 01	420	29.6375	82⅛	82⅞	+67.86
Hong Kong Land 4 01	410	31.05	83½	84¾	−16.25
Land Secs 6¾ 02 £	94	6.72	98⅛	99⅝	+8.86
Lasmo 7¾ 05 £	90	5.64	88⅝	90¾	
Mitsui Bank 2⅝ 03	200	2332.8	85⅞	87¼	+22.60
Mount Isa Fin 6½ 97	100	2.283	99⅛	100⅛	+69.17
Natl Power 6¼ 08 £	250	4.33	103⅞	104⅞	+4.93
Ogden 6 02	85	39.077	92½	94	+68.19
Pennzoil 4¾ 03	500	58.8097	99½	100½	+15.58
Sumitomo Bank 3½ 04	300	3606.9	90¼	91¼	+19.66
Sun Alliance 7¼ 08 £	155	3.9	104⅞	105⅞	+9.65
Transatlantic Hldgs 5½ 09 £	250	5.05	78⅞	80⅞	+13.49

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 14pc 1996	13.90	6.43	100 23/32xd	—	106⅞	100 23/32
15¼pc 1996‡‡	14.77	6.36	106¼	−⅛	109⅝	106¼
Exch 13¼pc 1996‡‡	12.90	6.37	102¾	−⅛	107¼	102¾
Conversion 10pc 1996	9.68	6.18	103 5/32	−1/16	104 13/32	103 3/32
Treas 13¼pc 1997‡‡	12.34	6.18	107 13/32xd	−1/16	109 23/32	107 13/32
Exch 10½pc 1997	10.01	6.14	104 13/32	−1/32	105 23/32	104 3/32
Treas Cnv 7pc 1997‡‡	6.91	6.18	101 5/16	−1/16	101⅜	97⅛
Treas 8¾pc 1997‡‡	8.41	6.19	104 1/32	−1/32	104 7/32	100½
Exch 15pc 1997	13.04	6.27	115 1/16	−3/32	117 7/16	114 13/32
9¾pc 1998	9.14	6.29	106 23/32xd	−⅛	107 7/16	102¾
Treas 7¼pc 1998‡‡	7.12	6.38	101⅞	−⅛	102 1/16	96 7/16
Treas 6¾pc 1995-98‡‡	6.75	6.73	100	—	100⅛	94 13/32
Treas 15½pc '98‡‡	12.64	6.48	122⅝	−3/16	124⅛	120⅝
Exch 12pc 1998	10.50	6.56	114 5/16	−3/16	114⅝	109 13/32
Treas 9½pc 1999‡‡	8.79	6.57	108 1/16xd	−3/32	108⅜	100⅞
Treas Flg Rate 1999	–	–	100⅛	—	100 13/32	99 13/32
Exch 12¼pc 1999	10.54	6.64	116¼	−3/16	116⅝	111 7/16
Treas 10½pc 1999	9.42	6.69	111 13/32	−¼	111 13/32	105 13/32
Treas 6pc 1999‡‡	6.14	6.70	97¾	−3/32	98 1/16	89 15/16
Conversion 10¼pc 1999	9.17	6.79	111¾	−3/16	112¼	105⅛
Conv 9pc 2000‡‡	8.35	6.82	107 13/32	−3/16	108⅞	100 13/32
Treas 13pc 2000	10.52	6.89	123 9/16xd	−⅛	124¼	117
14pc 1998-1	11.89	6.42	116 13/32	−3/32	117¾	114 5/32
Five to Fifteen Years						
Treas 8pc 2000‡‡	7.65	6.86	104⅝	−⅛	105⅝	95 7/16
10pc 2001	8.87	7.00	112 23/32	−3/16	113⅜	104 13/32
7pc 2001‡‡	7.02	7.05	99 23/32	−3/16	100 13/32	90 13/32
9¾pc 2002	8.63	7.25	113 1/32	−13/32	114	103 13/32
8pc 2003‡‡	7.70	7.31	103⅞	−13/32	104 13/32	94⅝
10pc 2003	8.67	7.35	115 5/16	−7/16	116 13/32	105⅞
Treas 11½pc 2001-4	9.69	7.16	118 23/32	−13/32	119⅞	110 13/32
Funding 3½pc 1999-4	4.21	6.25	82xd	−⅛	83⅛	70½
Conversion 9½pc 2004	8.45	7.52	112 13/32	−13/32	113 13/32	103 7/16
Treas 6¾pc 2004‡‡	7.11	7.63	94 13/32	−⅝	96 5/16	85 7/16
Conv 9½pc 2005	8.44	7.58	112 5/16	−13/32	114¼	103⅝
Treas 12½pc 2003-5	9.64	7.46	129 13/32	−⅝	130 13/32	119 13/32
Treas 8½pc 2005‡‡	7.97	7.53	106⅝	−13/32	108⅛	97⅝
7½pc 2006‡‡	7.53	7.55	99 7/16	−13/32	101 1/32	94 13/32
7¾pc 2006‡‡	7.67	7.79	101 1/32	−13/32	102½	92⅛
8pc 2002-6‡‡	7.78	7.61	102⅞	−⅝	104 5/16	93¼
Treas 11¾pc 2003-7	9.50	7.41	123⅝xd	−½	124⅝	113 13/32
Treas 8½pc 2007‡‡	7.98	7.63	106½xd	−13/32	108 3/16	97 13/32
13½pc 2004-8	9.88	7.47	136⅝	−13/16	138 3/16	126 3/16
Treas 9pc 2008‡‡	8.15	7.68	110 13/32	−13/32	112⅛	101½
Treas 8pc 2009	7.82	7.72	102¼	−¼	103 13/32	94
Over Fifteen Years						
Treas 6 1/4pc 2010	7.23	7.78	86 13/32	−13/32	87 13/32	79 5/16
Conv 9pc Ln 2011‡‡	8.12	7.79	110 13/32xd	−13/32	112½	101 13/32
Treas 9pc 2012‡‡	8.10	7.79	111 1/16	−13/32	112 13/32	102 1/32
Treas 5½pc 2008-12‡‡	6.80	7.51	80⅞	−1 1/16	82 13/32	72¼
Treas 8pc 2013‡‡	7.85	7.79	101 13/32	−13/32	103 13/32	93 13/32
7¾pc 2012-15‡‡	7.79	7.80	99½	−13/32	101⅛	91 13/32
8pc 2015	7.83	7.77	102 7/32	−13/32	104 5/16	93 13/32
Treas 8¾pc 2017‡‡	7.99	7.82	109½	−13/32	111⅝	100 13/32
Exch 12pc 2013-17	8.62	7.88	139 7/32	−13/32	141 13/32	127 7/16
Undated						
Consols 4pc	8.02	–	49⅞	−⅛	50¾	45⅛
War Loan 3½pc‡‡	7.83	–	44 11/16	−3/16	45 3/16	40 13/16
Conv 3½pc '61 Aft	5.65	–	62	—	62	57 13/16
Treas 3pc '66 Aft	7.93	–	37 13/16	—	37 13/16	34¼
Consols 2½pc	7.75	–	32¼xd	−⅛	32 13/16	28 13/16
Treas. 2½pc	7.99	–	31 5/16	—	31⅝	28⅞

Index-Linked	Notes (b)	Yield (1)	Yield (2)	Price £	+ or −	52 week High	52 week Low
2pc '96	(67.9)	–	1.44	215 13/16	−⅜	215⅞	200⅞
4⅝pc '98‡‡	(135.6)	1.33	2.58	112¼	−⅜	112 7/16	100 3/16
2½pc '01	(78.3)	2.77	3.30	178⅛	−⅛	178½	165 13/16
2½pc '03	(78.8)	2.99	3.39	174⅛	−⅛	174⅝	161 13/16
4⅜pc '04‡‡	(135.6)	3.04	3.41	115⅝	−⅛	115 13/16	108 3/16
2pc '06	(69.5)	3.15	3.44	182⅝xd	−¼	183 13/16	169 3/16
2½pc '09	(78.8)	3.23	3.47	165⅝	−⅛	165⅞	152 3/16
2½pc '11	(74.6)	3.27	3.49	171 13/16	−¼	173 3/16	157 3/16
2½pc '13	(89.2)	3.32	3.52	141½	−¼	142 13/16	129 3/16
2½pc '16	(81.6)	3.38	3.56	150 13/16	−⅛	152 3/16	137⅞
2½pc '20	(83.0)	3.43	3.58	144 13/16	−⅛	146 5/16	131⅞
2½pc '24‡‡	(97.7)	3.43	3.57	120 5/16xd	−13/16	122 3/16	108¼
4⅛pc '30‡‡	(135.1)	3.43	3.58	119¼xd	−⅛	120 13/16	108 3/16

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for April 1995: 149.0 and for November 1995: 149.8.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.60	7.97	119 3/16	—	119 3/16	108 13/16
B'ham 11½pc 2012	9.08	8.71	126½	—	126½	116½
Ireland Cap 8½pc '10	8.04	–	105¾	—	108	96¼
9pc Cap 1996	8.65	–	104	—	104⅛	99¼
13pc '97-2	11.72	–	110⅞	—	111⅞	107
Hydro Quebec 15pc 2011	9.92	8.79	151 3/16	—	154 13/16	138 13/16
Leeds 13½pc 2006	9.96	–	135½	—	136	126½
Liverpool 3½pc Irred	8.64	–	40½	—	40½	33
LCC 3pc '20 Aft	8.70	–	34½	—	34½	27¾
Manchester 11½pc 2007	9.38	8.65	122½	—	122½	113½
Met. Wtr. 3pc 'B'	4.08	7.91	73½	—	73½	69¼
N'wide Anglia 3⅞pc 2021	0.03	4.29	142	—	143½	130½
4⅛pc IL 2024	–	4.22	137	—	140⅝	1⅜
Utd Mex States 16½pc 2008	12.39	–	123½	—	139	113½

■ 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

هكذا صدر

CURRENCIES AND MONEY

MARKETS REPORT

Markets wait for US budget and FOMC news

By Graham Bowley

A recovery in US stock and bond markets pulled the dollar higher yesterday in quiet trading as dealers waited to see whether the US Federal Reserve would lower short-term interest rates.

Traders also waited for further progress on the US budget. Dealers said hopes that the Republican Congress and the White House were closer to an agreement helped underpin the dollar's gentle rise through the European session.

President Bill Clinton was due to meet congressional Republican leaders Bob Dole and Newt Gingrich last night.

There was another round of interest rate cuts across some European countries, with Finland, Austria and Portugal easing rates.

Sterling, which sold off on Monday on the back of the drop in the dollar and declines in bonds and equities, recovered to end higher against the *D-Mark and the dollar.*

There was little movement in other European cross-rates. The French franc remained stable, closing at FFr3.442 against the D-Mark, from FFr3.446.

Against the D-Mark, the dollar closed at DM1.4355, from DM1.431.

Sterling finished at DM2.2155, from *DM2.2028*. Against the dollar it closed at $1.5433, from $1.5386.

The lira finished at L1,112 against the D-Mark, from L1,115. The Swiss franc, which closed *against the dollar* at SFr1.150 on Monday, finished at SFr1.152.

■ Most analysts said they did not expect the Fed to follow the example of Germany, the *UK and other European countries* which relaxed monetary policy last week. They said they anticipated no change in the discount or the Federal funds rates after the meeting of the Federal Open Market Committee.

Most analysts were however optimistic about the prospects for the US currency. Mr Gerard Lyons, economist at DKB International, said the dollar was likely to benefit from international portfolio flows in coming months.

*He said these flows of over*seas money, particularly from Japan, into US stock and bond markets had been the key recent influence underpinning the dollar, even though these markets were discounting further cuts in US interest rates.

Speculation about how the Fed might act also had an impact on the Mexican and Canadian markets.

The Mexican peso registered some early gains on expectation of a cut in US rates. The Canadian dollar on the other hand weakened early in the session as dealers saw a cut in US rates as providing further scope for a drop in Canadian interest rates.

An OECD economist told Reuters that a further fall in the yen against the dollar would be welcome. The dollar finished at Y101.67.

The Japanese government said that it saw *Japanese* real gross domestic product growing by 2.5 per cent next year, up from 1.2 per cent growth this year.

■ The pound suffered after Ms Kate Barker, chief economist of the Confederation of British Industry and newly appointed to the chancellor's panel of economic advisers, said that a further fall in sterling of around 3 per cent was "acceptable" and would help exporters.

Some dealers said that the *decision by Fleet Financial* to buy National Westminster Bank's US retail arm for $3.26bn might have some impact on sterling since NatWest would then have to convert the sale income back to sterling.

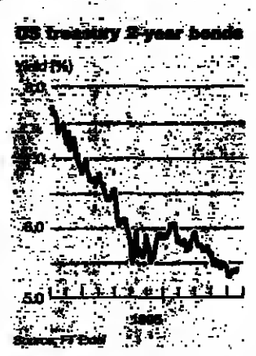
There was no change in the Swedish repo rate – some analysts had been anticipating a 25 basis points cut in the rate. This caused an early rise in the krona but the currency ended the day broadly unchanged.

The Bank of Portugal cut key interest rates by 0.5 per cent. Its absorption rate, the rate it pays when draining money market funds, was lowered to 7.75 per cent, while its emergency lending rate was cut to 10.5 per cent.

The Bank of Finland lowered its key tender rate to 4.25 per cent from 4.75 per cent. It also lowered its forecast for inflation – officials said they saw the annual rate of inflation remaining below 2 per cent over the next two years.

■ In the UK money markets, the Bank of England provided assistance of £1.37bn after forecasting a shortage of £1.35bn, revised up from £1.25bn.

US Treasury 2-year bonds



Source: FT Extel

■ **Pound in New York**

Dec 19	Latest	Prev. close
£ spot	1.5435	1.5415
1 mth	1.5426	1.5405
3 mth	1.5407	1.5380
1 yr	1.5323	1.5305

■ **OTHER CURRENCIES**

Dec 19	£	$
Czech Kp	41.1548 - 41.1853	26.6720 - 26.6820
Hungary	208.725 - 209.883	135.920 - 135.970
Iran	4630.00 - 4629.00	3000.00 - 3000.00
Kuwait	0.4612 - 0.4622	0.2989 - 0.2994
Poland	3.9039 - 3.9084	2.5235 - 2.5255
Russia	7174.86 - 7174.95	4648.00 - 4650.00
UAE	5.6665 - 5.6686	3.6724 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Dec 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5888	+0.0897	809 - 967	15.6065	15.5037	15.5453	3.3	15.5013	2.2	-	-	106.8
Belgium	(BFr)	45.5505	+0.2402	185 - 825	45.6170	45.3050	45.4455	2.8	45.2655	2.5	44.5855	2.2	109.1
Denmark	(DKr)	8.5920	+0.0546	876 - 963	8.6010	8.5405	8.5804	1.6	8.583	1.4	8.5046	1.0	109.5
Finland	(FM)	6.6855	+0.0585	798 - 912	6.7180	6.6370	6.6811	0.8	6.673	0.7	-	-	87.3
France	(FFr)	7.6258	+0.0343	227 - 288	7.6440	7.5865	7.6206	0.8	7.6124	0.7	7.568	0.8	110.3
Germany	(DM)	2.2155	+0.0127	144 - 165	2.2189	2.2019	2.2109	2.5	2.2016	2.5	2.1614	2.4	111.8
Greece	(Dr)	366.488	+1.505	338 - 636	368.957	364.488	-	-	-	-	-	-	68.4
Ireland	(I£)	0.9681	+0.002	675 - 687	0.9687	0.9655	0.9671	1.2	0.966	0.9	0.9625	0.6	97.4
Italy	(L)	2463.88	+7.51	278 - 497	2486.07	2453.91	2472.33	-4.1	2488.98	-4.1	2561.83	-4.0	70.7
Luxembourg	(LFr)	45.5505	+0.2402	185 - 825	45.6170	45.3050	45.4455	2.8	45.2655	2.5	44.5855	2.2	109.1
Netherlands	(Fl)	2.4818	+0.0148	808 - 827	2.4848	2.4661	2.4759	2.8	2.4655	2.6	2.4215	2.4	109.2
Norway	(NKr)	9.7988	+0.0625	916 - 070	9.8109	9.7384	9.7882	1.2	9.7677	1.3	9.6665	1.2	98.1
Portugal	(Es)	232.552	+1.339	391 - 713	232.958	231.284	232.977	-2.2	233.882	-2.3	-	-	95.0
Spain	(Pta)	188.537	+0.749	462 - 613	188.752	187.725	189.022	-3.1	189.987	-3.0	194.192	-3.0	82.0
Sweden	(SKr)	10.2221	+0.0492	123 - 318	10.2394	10.1400	10.224	-0.2	10.2276	-0.2	10.2428	-0.2	87.3
Switzerland	(SFr)	1.7780	+0.0082	769 - 790	1.7812	1.7685	1.7715	4.4	1.7585	4.4	1.7027	4.2	118.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.9
Ecu	-	1.2075	+0.0048	068 - 082	1.2089	1.2007	1.2064	1.1	1.2043	1.1	1.1962	0.9	-
SDR†	-	1.035200	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5431	+0.0048	427 - 434	1.5452	1.5377	-	-	-	-	-	-	-
Brazil	(R$)	1.4926	+0.0043	921 - 931	1.4945	1.4870	-	-	-	-	-	-	-
Canada	(C$)	2.1271	+0.0108	263 - 279	2.1292	2.1199	2.1256	0.8	2.1244	0.5	2.1202	0.3	83.0
Mexico	(New Peso)	11.8371	-0.1021	194 - 548	11.9305	11.8194	-	-	-	-	-	-	-
USA	($)	1.5433	+0.0047	430 - 436	1.5455	1.5379	1.5425	0.6	1.5406	0.7	1.5323	0.7	94.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0829	+0.0064	818 - 840	2.0873	2.0754	2.0844	-0.9	2.0882	-1.0	2.1047	-1.0	85.4
Hong Kong	(HK$)	11.9370	+0.0367	339 - 401	11.9532	11.8961	11.9299	0.7	11.9218	0.5	11.8958	0.3	-
India	(Rs)	53.9892	+0.1507	433 - 351	54.0310	53.8240	-	-	-	-	-	-	-
Israel	(Shk)	4.8290	+0.0325	242 - 338	4.8338	4.8046	-	-	-	-	-	-	-
Japan	(Y)	156.907	+0.621	800 - 015	157.420	156.300	156.072	6.4	154.567	6.0	148.227	5.5	141.8
Malaysia	(M$)	3.9238	+0.0098	223 - 254	3.9294	3.9118	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3643	+0.0081	626 - 660	2.3682	2.3580	2.3672	-1.5	2.3742	-1.7	2.3984	-1.4	101.1
Philippines	(Peso)	40.4252	+0.1152	081 - 423	40.4423	40.4081	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7880	+0.0177	866 - 894	5.7959	5.7680	-	-	-	-	-	-	-
Singapore	(S$)	2.1830	+0.0078	818 - 842	2.1846	2.1759	-	-	-	-	-	-	-
South Africa	(R)	5.6604	+0.0231	585 - 622	5.6670	5.6402	-	-	-	-	-	-	-
South Korea	(Won)	1190.56	+3.2	027 - 089	1192.20	1186.49	-	-	-	-	-	-	-
Taiwan	(T$)	42.1807	+0.1136	686 - 928	42.2370	42.0870	-	-	-	-	-	-	-
Thailand	(Bt)	38.8295	+0.1273	065 - 524	38.8690	38.6940	-	-	-	-	-	-	-

† Rates for Dec 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.1010	+0.0272	978 - 041	10.1110	10.0640	10.0855	1.8	10.0595	1.8	9.956	1.4	106.7
Belgium	(BFr)	29.5150	+0.085	000 - 300	29.5450	29.4000	29.463	2.1	29.375	1.9	29.07	1.5	108.8
Denmark	(DKr)	5.5673	+0.0183	655 - 690	5.5720	5.5380	5.5635	0.8	5.5573	0.7	5.5748	-0.1	108.8
Finland	(FM)	4.3320	+0.0234	291 - 348	4.3548	4.3032	4.327	1.4	4.3183	1.3	4.2895	1.0	86.6
France	(FFr)	4.9412	+0.007	402 - 422	4.9550	4.9180	4.9447	-0.8	4.9522	-0.9	4.9637	-0.5	109.8
Germany	(DM)	1.4355	+0.0087	351 - 359	1.4372	1.4277	1.4335	1.8	1.4287	1.9	1.4085	1.8	111.0
Greece	(Dr)	237.470	+0.245	420 - 520	237.720	236.230	239.195	-8.7	242.395	-8.3	255.87	-7.7	66.0
Ireland	(I£)	1.5942	+0.0017	935 - 949	1.5991	1.5905	1.5947	-0.3	1.5951	-0.2	1.5912	0.2	-
Italy	(L)	1596.50	-0.05	610 - 690	1599.10	1592.40	1603.35	-5.1	1615.4	-4.7	1673.5	-4.8	73.2
Luxembourg	(LFr)	29.5150	+0.085	000 - 300	29.5450	29.4000	29.463	2.1	29.375	1.9	29.07	1.5	108.8
Netherlands	(Fl)	1.6081	+0.0047	078 - 084	1.6097	1.6000	1.605	2.4	1.5999	2.0	1.5806	1.7	108.7
Norway	(NKr)	6.3496	+0.0146	458 - 533	6.3542	6.3093	6.3473	0.4	6.3391	0.7	6.3221	0.4	97.3
Portugal	(Es)	150.685	+0.405	610 - 760	150.930	149.890	151.05	-3.0	151.83	-3.0	155.435	-3.2	95.2
Spain	(Pta)	122.165	+0.11	140 - 190	122.270	121.900	122.56	-3.9	123.295	-3.7	126.785	-3.8	81.8
Sweden	(SKr)	6.6235	+0.0115	185 - 285	6.6430	6.5729	6.6406	-3.1	6.67	-2.8	6.8075	-2.8	85.9
Switzerland	(SFr)	1.1521	+0.0018	518 - 525	1.1542	1.1445	1.1485	3.7	1.1418	3.6	1.1134	3.4	115.9
UK	(£)	1.5433	+0.0047	430 - 436	1.5455	1.5379	1.5425	0.6	1.5406	0.7	1.5323	0.7	81.9
Ecu	-	1.2781	-0.0012	776 - 786	1.2833	1.2771	1.2784	-0.3	1.2788	-0.2	1.2794	-0.1	-
SDR†	-	0.67300	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9672	-0.0002	670 - 673	0.9676	0.9671	-	-	-	-	-	-	-
Canada	(C$)	1.3783	+0.0026	780 - 785	1.3794	1.3773	1.3783	0.0	1.3788	-0.1	1.3838	-0.4	82.1
Mexico	(New Peso)	7.6700	-0.08	600 - 800	7.6870	7.6600	7.6723	-0.4	7.6754	-0.3	7.6803	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3495	-	492 - 501	1.3506	1.3492	1.3515	-1.8	1.355	-1.6	1.3737	-1.8	86.1
Hong Kong	(HK$)	7.7347	-	342 - 352	7.7352	7.7342	7.7354	-0.1	7.7372	-0.1	7.7642	-0.4	-
India	(Rs)	34.9700	-0.01	600 - 800	35.0000	34.9600	35.12	-5.1	35.425	-5.2	36.895	-5.5	-
Israel	(Shk)	3.1290	+0.0115	265 - 315	3.1315	3.1144	-	-	-	-	-	-	-
Japan	(Y)	101.670	+0.09	620 - 720	101.900	101.400	101.155	6.1	100.31	5.4	96.745	4.8	142.4
Malaysia	(M$)	2.5425	-0.0015	420 - 430	2.5441	2.5420	2.5434	-0.4	2.5495	-1.1	2.573	-1.2	-
New Zealand	(NZ$)	1.5319	+0.0012	312 - 326	1.5333	1.5312	1.535	-2.4	1.5408	-2.3	1.5654	-2.2	-
Philippines	(Peso)	26.1940	-0.008	880 - 000	26.2000	26.1880	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0001	502 - 506	3.7506	3.7502	3.7508	-0.1	3.7515	-0.1	3.7548	-0.1	-
Singapore	(S$)	1.4145	+0.0007	140 - 150	1.4153	1.4140	1.411	3.0	1.405	2.7	1.3795	2.5	-
South Africa	(R)	3.6677	+0.0037	672 - 682	3.6682	3.6650	3.6957	-9.1	3.7488	-8.6	3.9887	-8.8	-
South Korea	(Won)	771.450	-0.3	400 - 500	771.700	771.300	774.45	-4.7	777.95	-3.4	796.45	-3.2	-
Taiwan	(T$)	27.3915	-0.0105	290 - 340	27.3420	27.3200	27.3515	-0.9	27.3915	-0.9	-	-	-
Thailand	(Bt)	25.1600	+0.005	500 - 700	25.1700	25.1430	25.2587	-4.7	25.4825	-4.8	26.345	-4.7	-

† SDR rate per $ for Dec 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 18: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.45	-	6.10
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.70	-	6.10
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	[illegible]
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.51
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.40
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	[illegible]	5.31	5.31	5.27	-	-	-
week ago	-	5.29	5.32	5.31	5.28	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.75	94.71	[illegible]	94.76	94.64	25,348	[illegible]
Jun	94.96	94.92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	94.94	94.95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	96.38	[illegible]	[illegible]	96.33	[illegible]	[illegible]
Jun	96.41	96.47	[illegible]	96.48	[illegible]	[illegible]	[illegible]
Sep	96.34	96.42	[illegible]	96.45	96.34	17,341	107,678
Dec	96.24	96.26	-	96.32	96.20	11,184	[illegible]

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.77	89.91	+0.01	89.92	89.76	[illegible]	40,736
Jun	90.16	90.20	+0.01	90.22	90.16	843	21,163
Sep	90.28	90.32	+0.02	90.33	90.28	410	[illegible]
Dec	90.26	90.32	+0.02	90.33	90.26	380	[illegible]

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.21	98.23	-	98.25	98.17	4421	[illegible]
Jun	98.24	98.27	-	98.28	98.18	1053	17552
Sep	98.10	98.18	+0.02	98.19	98.10	964	[illegible]
Dec	98.12	97.97	-0.15	98.12	97.93	470	0

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.90	94.91	-0.02	94.95	94.88	691	6345
Jun	95.00	94.98	-0.01	95.00	94.99	60	4501
Sep	94.97	94.99	-0.01	94.99	94.97	20	2256
Dec	94.84	94.87	-0.01	94.84	94.84	10	1518

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
8975	0.40	0.78	0.99	0.34	0.33	0.42
9000	0.28	0.67	0.84	0.47	0.47	0.52
9025	0.19	0.48	0.69	0.63	0.53	0.62

Est. vol. total, Calls 125 Puts 25. Previous day's open int., Calls 6843 Puts 4410

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec. 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.86	16.74	4.863	2.125	5409	5.449	21.51	510.4	413.8	22.44	3.909	2.195	4.670	3.387	344.5	2.650
Denmark	(DKr)	53.01	10	8.875	2.578	1.127	2868	2.889	11.40	270.6	219.4	11.89	2.069	1.164	2.476	1.780	182.6	1.405
France	(FFr)	59.74	11.27	10	2.905	1.270	3231	3.255	12.85	304.9	247.2	13.40	2.332	1.311	2.790	2.024	205.8	1.583
Germany	(DM)	20.56	3.879	3.442	1	0.437	1112	1.121	4.424	105.0	85.10	4.614	0.803	0.451	0.960	0.697	70.84	0.545
Ireland	(I£)	47.06	8.876	7.877	2.288	1	2545	2.564	10.12	240.2	194.7	10.56	1.837	1.033	2.197	1.594	162.1	1.247
Italy	(L)	1.849	0.349	0.309	0.090	0.039	100.	0.101	0.398	9.436	7.650	0.415	0.072	0.041	0.086	0.063	6.368	0.049
Netherlands	(Fl)	18.35	3.462	3.072	0.892	0.390	992.7	1	3.948	93.67	75.95	4.118	0.716	0.403	0.857	0.622	63.22	0.486
Norway	(NKr)	46.48	8.768	7.781	2.260	0.988	2515	2.533	10	237.3	192.4	10.43	1.814	1.021	2.171	1.575	160.1	1.232
Portugal	(Es)	18.59	3.695	3.280	0.953	0.416	1060	1.068	4.215	100.	81.08	4.396	0.765	0.430	0.915	0.664	67.48	0.518
Spain	(Pta)	24.16	4.558	4.046	1.175	0.514	1307	1.317	5.198	123.3	100.	5.422	0.943	0.531	1.128	0.819	83.24	0.640
Sweden	(SKr)	44.57	8.407	7.461	2.167	0.947	2411	2.429	9.588	227.5	184.4	10	1.740	0.978	2.081	1.510	153.5	1.181
Switzerland	(SFr)	25.62	4.832	4.289	1.246	0.544	1386	1.396	5.511	130.8	106.0	5.748	1	0.562	1.196	0.868	88.25	0.679
UK	(£)	45.55	8.592	7.625	2.215	0.968	2464	2.482	9.799	232.5	188.5	10.22	1.778	1	2.127	1.543	156.9	1.207
Canada	(C$)	21.42	4.039	3.585	1.041	0.455	1158	1.167	4.607	109.3	88.62	4.805	0.836	0.470	1	0.725	73.77	0.567
US	($)	29.52	5.568	4.942	1.436	0.627	1597	1.609	6.351	150.7	122.2	6.623	1.152	0.648	1.378	1	101.7	0.782
Japan	(Y)	29.03	5.476	4.860	1.412	0.617	1570	1.582	6.245	148.2	120.1	6.514	1.133	0.637	1.356	0.983	100.	0.769
Ecu		37.74	7.118	6.317	1.835	0.802	2041	2.056	8.118	192.6	156.2	8.467	1.473	0.829	1.752	1.278	130.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7004	0.6992	-0.0036	0.7015	0.6992	24,252	50,155
Jun	0.7034	0.7032	-0.0028	0.7034	0.7032	127	2,841
Sep	-	0.7080	-	-	-	10	1,085

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8768	0.8752	-0.0045	0.8825	0.8745	17,800	35,383
Jun	0.8850	0.8838	-0.0038	0.8857	0.8838	117	844
Sep	0.8810	0.8920	-	-	0.8920	47	87

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9970	0.9948	-0.0035	0.9993	0.9948	9,903	54,556
Jun	-	1.0105	-	-	1.0220	37	744
Sep	1.0242	1.0242	-	-	-	21	157

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5394	1.5426	+0.0048	1.5426	1.5362	8,447	33,820
Jun	1.5360	1.5380	+0.0030	1.5380	1.5380	4	22
Sep	-	1.5270	-	1.5350	-	6	8

UK INTEREST RATES

LONDON MONEY RATES

Dec 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5½	6⅝ - 6⅜	[illegible]	6⅝ - 6½	6⅜ - 6¼	6⅜ - 6¼
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6¼ - 6⅛
Discount Market deps	6¾ - 6½	6½ - 6⅜	-	-	-	-

UK clearing bank base lending rate 6½ per cent from December 13, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.1751pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 30, 1995. Agreed rate for period Dec 26, 1995 to Jan 25, 1996, Schemes II & III 7.98pc. Reference rate for period Nov 1, 1995 to Nov 30, 1995, Schemes IV & V 6.726pc. Finance House Base Rate 7pc from December 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.45	93.45	-0.02	93.46	93.44	5860	69497
Mar	93.78	93.79	-0.01	93.80	93.76	13118	91435
Jun	93.95	93.94	-0.04	93.96	93.92	7862	82880
Sep	93.95	93.95	-0.04	93.98	93.92	7079	48120
Dec	93.84	93.83	-0.06	93.87	93.80	4186	34282

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9325	0.20	0.55	0.75	0	0.01	0.06
9350	0	0.33	0.54	0.05	0.04	0.10
9375	0	0.15	0.36	0.30	0.12	0.17

Est. vol. total, Calls 2729 Puts 2881. Previous day's open int., Calls 189858 Puts 157725

BASE LENDING RATES

	%
Adam & Company	6.50
Allied Trust Bank	6.50
AIB Bank	6.75
●Henry Ansbacher	6.50
Bank of Baroda	6.75
Banco Bilbao Vizcaya	6.50
Bank of Cyprus	6.50
Bank of Ireland	6.50
Bank of India	6.50
Bank of Scotland	6.75
Barclays Bank	6.50
Brit Bk of Mid East	6.50
●Brown Shipley & Co Ltd	6.50
Citibank NA	6.50
Clydesdale Bank	6.50
The Co-operative Bank	6.75
Coutts & Co	6.50
Credit Lyonnais	6.50
Cyprus Popular Bank	6.75
Duncan Lawrie	6.50
Exeter Bank Limited	7.75
Financial & Gen Bank	7.50
●Robert Fleming & Co	6.50
Girobank	6.75
●Guinness Mahon	6.50
Habib Bank AG Zurich	6.50
●Hambros Bank	6.50
Heritable & Gen Inv Bk	6.75
●Hill Samuel	6.75
C. Hoare & Co	6.50
Hongkong & Shanghai	6.50
Julian Hodge Bank	6.75
●Leopold Joseph & Sons	6.50
Lloyds Bank	6.50
Meghraj Bank Ltd	6.50
Midland Bank	6.50
* Mount Credit Corp	6.50
NatWestminster	6.50
●Rea Brothers	6.50
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Royal Bk of Scotland	6.75
●Singer & Friedlander	6.50
●Smith & Williamson Secs	6.50
TSB	6.75
United Bank of Kuwait	6.75
Unity Trust Bank Plc	6.50
Western Trust	6.50
Whiteaway Laidlaw	6.50
Yorkshire Bank	6.75

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Dec 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.10341	-0.00025	-2.26	0.70	17
Belgium	39.3960	38.6183	-0.0037	-1.97	5.38	14
Germany	1.91007	1.87774	-0.00078	-1.69	5.09	17
Austria	13.4383	13.2129	-0.0052	-1.68	5.07	12
Spain	162.493	159.892	-0.254	-1.60	4.99	11
Denmark	7.28580	7.27981	-0.00018	-0.08	3.39	1
Portugal	195.792	197.225	+0.084	0.73	2.56	-5
France	6.40608	6.47554	+0.005	1.05	2.20	-9
Ireland	0.792214	0.818421	-0.002269	3.31	0.00	-22
NON ERM MEMBERS						
Greece	292.867	310.805	+0.248	6.12	-2.85	-
Italy	2106.15	2089.54	+4.88	-0.79	4.13	-
UK	0.786652	0.848337	-0.000665	7.84	-4.20	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.520	2.44	3.15	3.73	0.45	1.39	2.07
1.530	1.76	2.55	-	0.77	1.76	-
1.540	1.20	2.08	2.86	1.20	2.17	2.93
1.550	0.77	1.59	2.26	1.78	2.69	3.46
1.560	0.46	1.22	1.86	2.51	3.30	4.09
1.570	0.27	0.91	1.23	3.20	3.98	-

Previous day's vol., Calls 3,612 Puts 2,463 . Prev. day's open int., Calls 136,181 Puts 186,148

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.57	94.58	-	94.59	94.53	96,918	447,426
Jun	94.77	94.78	-	94.79	94.73	67,868	393,711
Sep	94.76	94.78	-	94.79	94.72	50,530	240,493

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.03	95.01	-	95.03	94.99	923	7,454
Jun	95.20	95.20	-	95.20	95.16	486	2,716
Sep	95.20	95.21	+0.01	95.20	95.20	5	36

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9625	0.15	0.18	0.19	0.34	0.02	0.05	0.06	0.12
9650	0.02	0.05	0.06	0.19	0.14	0.17	0.18	0.22
9675	0	0.01	0.01	0.09	0.37	0.38	0.38	0.37

Est. vol. total, Calls 3510 Puts 2730. Previous day's open int., Calls 188296 Puts 208689

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9600	0.28	0.36	0.42	0.06	0.09	0.24
9625	0.12	0.20	0.27	0.14	0.18	0.34
9650	0.05	0.09	0.15	0.32	0.32	0.47

Est. vol. total, Calls 1200 Puts 0. Previous day's open int., Calls 5790 Puts 2987

SGA SOCIETE GENERALE ACCEPTANCE N.V.
FRF 300,000,000 REVERSE FLOATING RATE NOTES DUE DECEMBER 1999
ISIN CODE : XS0040631805

For the period December 18, 1995 to March 18, 1996 the new rate has been fixed at 12,38282 % P.A.
Next payment date : March 18, 1996
Coupon nr : 12
Amount : FRF 3130,10 for the denomination of FRF 100 000
FRF 31301,02 for the denomination of FRF 1 000 000

The Principal Paying Agent **SOGENAL**
SOCIETE GENERALE GROUP
15 ,Avenue Emile Reuter - LUXEMBOURG

LEGAL NOTICES

In the High Court of Justice No 006645 of 1995
Chancery Division
Companies Court

IN THE MATTER OF
TOTAL COATINGS UK LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 22nd day of November 1995 confirming the reduction of the share premium account of the above named company by £11,655,876 was registered by the Registrar of Companies on 1st December 1995.

DATED this 19th day of December 1995
Denton Hall
Five Chancery Lane
Clifford's Inn
London EC4A 1BU
Ref: CMC/dn/34113010
Tel: 0171 242 1212
Solicitors for the above-named Company

COMPANY NOTICES

Asociación Nacional del Café ("ANACAFE").

a non-profit association of Guatemalan coffee producers organized under the laws of the Republic of Guatemala, announces its willingness to purchase from willing holders, at its discretion, some or all of the 11% Guaranteed Notes due 1996 to 1998 issued by ANACAFE on August 25, 1993 at an issue price of US $60,000,000 and listed on the Luxembourg Stock Exchange (the "Notes"). The price for each Note will be negotiated on a case-by-case basis between ANACAFE and the holder. Payment will be made with US dollar funds deposited by ANACAFE with the Bank of New York. ANACAFE from time to time may contact holders of Notes directly or through one or more brokers to ascertain their interest in selling their Notes. In addition, holders of Notes who may be interested in selling the Notes to ANACAFE should contact Mr. Sebastian Marcucci at ANACAFE's Offices, tel. 502-373940, fax 502-374020.

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

HOTELS

LEIS. COMPANIES

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings'formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm +) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.

* Highs and lows reached thus have been adjusted to allow for capital changes.

† Interim since increased or resumed

‡ Interim since reduced, passed or deferred

§ Figures or report awaited

♥ Rule 2.10(a)(v) Overseas incorporated companies listed on an approved exchange

♣ Free annual/interim report available, see details below

◆ USM not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.

‡‡ Rule 4.2(a) Non incorporated non-listed companies.

A Price at time of suspension

ᵉ Indicated dividend yield after pending scrip and/or rights issue.

ʳ Merger bid or reorganisation in progress

ˢ Forecast dividend yield, p/e based on earnings updated by latest interim statement

♦ Unregulated collective investment scheme

a Yield based on assumed dividend
b Figures based on prospectus or other official estimates
c Assumed dividend yield after scrip issue.
d Assumed dividend yield after scrip issue.
e Rights issue pending
f Earnings based on preliminary figures
g Dividend yield excludes a special payment.
h Dividend yield, p/e ratio based on latest annual earnings.
n Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
y P/e ratios are calculated under new ACT guidelines.
z Dividend yield inc. a special payment
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Forecast annualised yield, p/e based on prospectus or other official estimates
P Pro forma figures
Z Dividend yield to date

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom like a line of £1275 a year for each security shown, subject to the Editor's discretion

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For readers phoning from outside UK, please dial +44 in place of the first 0.

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
[illegible]

Prices for dealing December 15

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 809 292 2780

Fund	Selling Price	Buying Price	+ or -	Yield Gr's
Eurobond	$15.85	16.66	+0.01	2.71
Money	[illegible]	14.57	[illegible]	[illegible]
Mortgage	[illegible]	23.74	[illegible]	7.84
North American	[illegible]	14.20	[illegible]	[illegible]
Overseas	[illegible]	18.16	[illegible]	[illegible]
Tiger	[illegible]	18.09	[illegible]	[illegible]
UK Small Cos	$1.23	1.31	[illegible]	0.00

Newport Investment Management
73 Front street, Hamilton, Bermuda
UK: 0171 336 6085 Dealing: 01481 726258
[illegible]

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 441 292 8370
Orion Dec 14 $26.63

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd
[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021
[illegible]

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 723021
[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 225, St Peter Port, Guernsey 01481 710851
[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd
Emerging Mkts Liquid Inc Fund | $14.85 | 14.98 | — | —

Apollo Investment Management Ltd
[illegible]

Arab Bank Fund Managers (Guernsey) Ltd
[illegible]

Bachmann Global Investment Fund Ltd
[illegible]

CIBC Fund Managers (Guernsey) Ltd
[illegible]

The Fiduciary Trust Global Fund
12 Lower Leeson Street 00 353 1 6613433
[illegible]

GAM Fund Management Ltd (u)
[illegible]

GT Asset Management (Ireland) Ltd
[illegible]

Baring Mutual (Ireland) Ltd
[illegible]

Berkshire KITC Growth Fund Plc
NAV | $9.27 | −0.16

Berkshire Korea Fund Plc
NAV | $7.14 | —

Bordier Invest (Ireland) Ltd
Invest Korea Fd NAV Dec 8 | $74.00 | —

CFP Interest Rate Arbitrage Fund Plc
NAV | $10.87 | — | 0.00

Calpine Fund
NAV | $102.29 | +0.37

Capital Vision Fund Plc
NAV | $8.89 | −1.00

Chemical Ireland Fund Administrators Ltd
[illegible]

CIB Investment Fund (Ireland)
CIB Korea Equity | $9.35 | −0.33

Citizens Investment Trust Mngt Company
[illegible]

Daiwa Europe Fund Managers Ireland Ltd
[illegible]

Dragon Korea Fund Plc
NAV | $9.048 | —

Dynamic Pacific Portfolio Fund Plc
NAV | $5.71 | −0.05

East Asia Nemos Ireland Ltd
[illegible]

Egerton Capital European Fund Plc
NAV Dec 15 | £13.36 | +0.01

Emerging Dynamic Fund Plc
NAV | $0.37 | −0.16

Emerging Market Growth Fund Plc
NAV | $0.646 | —

F.I.T. Investment Trust Ltd (u)
[illegible]

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs
Victory Hse, Prospect Hill, Douglas IoM 01624 663683
Total Income Fd | 5 | $5.484 | 100.50 | +0.051 | 6.0

Allied Dunbar Intl Fund Mgrs (1600)F
Lord Street, Douglas, IoM 01624 663581
[illegible]

For conversion Prices of Shares Phone: 01624 662860

Ashburton Global Funds Ltd (1200)
Victory Hse, Prospect Hill, Douglas, IoM 01624 620087
[illegible]

Bank of Ireland Asset Mngmt (IOM) Ltd
4 Cheltham Road, Douglas, IOM 01624 622676
[illegible]

CMI Fund Managers (IoM)
Clerical Medical Hse, Douglas, IoM
[illegible]

* Yield expressed as C.A.R. (Compound Annual Return)

Mercury Fund Managers IoM Ltd
12–13 Hill Street, Douglas IoM
[illegible]

Quilter Intl Mngt (IoM) Ltd
Po Box 82, 16–21 Circular Rd, Douglas 01624 622888
[illegible]

Sun Life Management (IoM) Ltd
PO Box 22, Castletown, IoM 01624 824131
Secure High Income | 6 | £1.1587 | 1.2370 | [illegible]

Ulster Bank Global Funds Plc
Victory House, Prospect Hill, Douglas, IoM 01624 626007
[illegible]

Unibank Scandinavian Fund Ltd
19–21, Circular Rd, Douglas, IoM 01624 629420
Scandinavian Fd | 5 | 236.19 | 252.89 | [illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

EBC Fund Managers (Jersey) Ltd
[illegible]

Fleming Group
[illegible]

Foreign & Colonial Mngmt (Jersey) Ltd
[illegible]

John Govett Management (Jersey) Ltd
[illegible]

INVESCO International Limited
[illegible]

Jupiter Tyndall (Jersey) Ltd
[illegible]

Lloyds Private Banking (CI) Ltd
[illegible]

Dealing Weekly on Thursday

Lombard Odier (Jersey) Ltd
[illegible]

Commercial Union Luxembourg SA - Contd.
[illegible]

Creswale Group (u)
[illegible]

DB Investment Management SA
[illegible]

Danske Fund (u)
[illegible]

Den norske Bank
[illegible]

Dolphin Intl Investments (u) SICAV
[illegible]

Dresdnerbank Asset Mngmt SA (u)
[illegible]

E.T. Investment Management Ltd
[illegible]

Eagle Star – Global Assets Fund (u)
[illegible]

Manulife Regent Global Fund (u)
[illegible]

Mercury Asset Management S.A.
[illegible]

Midland Intl Circuit Fund SICAV(u)
[illegible]

Nikko Capital Management
[illegible]

Nomura Global Fund (u)
[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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MARKET REPORT

Equities down again but above session's lows

By Steve Thompson,
UK Stock Market Editor

Predictions of another turbulent and weak session on Wall Street when it opened for business yesterday proved misplaced and helped a nervous London equity market close well above its worst levels.

But most areas of the UK market still sustained hefty losses for the third consecutive trading session on the back of a weak gilts market and amid continued uncertainty over US interest rates and the US budget deficit. News of the ¼ percentage point cut in the Federal Funds rate came well after London closed.

The FT-SE 100 settled a net 19.2 lower at 3,576.9, extending the loss over the past three sessions to 94.7, or 2.5 per cent, while the FT-SE Mid 250, which managed to resist most of the downward pressures on Monday, declined 16.6 to 3,937.4.

Dealers, still licking their wounds from Monday's sell-off, which caught many marketmakers completely on the wrong foot, remained extremely wary of Wall Street, adopting the view that the wrangle over the budget deficit had to be sorted out before markets fully regained their confidence.

There were numerous individual features, both positive and negative, helping to drive market turnover, which reached 926.9m shares by 6pm. Activity in the FT-SE 100 constituents accounted for more than half of the total.

The biggest individual turnover stocks in the market were the utilities National Power and National Grid. The former bought in 57m or 4.4 per cent of its own shares via Cazenove, the broker, while Southern Corporation, of the US, sold a block of 25m Grid shares acquired with its purchase of South Western Electricity.

Significant turnover developed in British Gas, which also topped the FT-SE 100 performance table, partly on hopes that the company may be able to renegotiate its long-term gas contracts. The real driving force behind the shares' performance, however, was the revival of the takeover bid stories that first emerged a couple of weeks ago. "Gas has all the ingredients of a classic bid candidate, namely a bombed-out share price and a management under intense pressure," said one sector analyst.

National Westminster finally delivered the sale of its US subsidiary Bancorp, boosting NatWest shares, but the two Scottish banks suffered from the rapid disappearance of the "fast money" that drove the stocks up sharply last week.

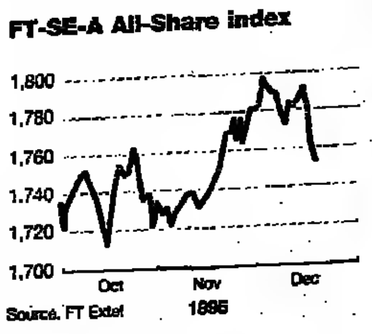
On the downside, profits warnings caused drops in Courtaulds, Coats Viyella and W. Canning.

Opening just over 25 points down, the FT-SE 100 attempted to rally in mid-morning only to fall back again and hit the day's low point, 3,558.5, ahead of the Wall Street start.

With the Dow Jones Industrial Average quickly recovering from an initial 10-point fall to post a 19-point rise shortly after the opening, the Footsie stabilised and regained half of its loss.

Mr Ian Harnett, strategist at SGST Securities, described Wall Street's 101-point drop on Monday as a "short term correction" and pointed to the US market's 30 per cent advance this year. "The fundamentals in the US and UK still look positive," said Mr Harnett.

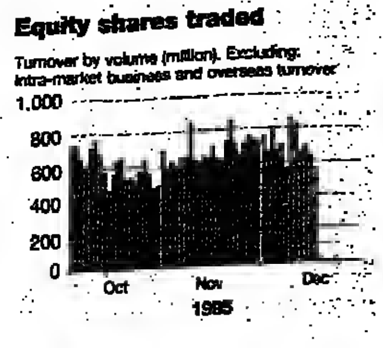
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3576.9	-19.2
FT-SE Mid 250	3937.4	-16.6
FT-SE-A 350	1778.6	-9.1
FT-SE-A All-Share	1753.78	-9.04
FT-SE-A All-Share yield	3.89	(3.87)

FT Ordinary index	2595.3	-9.8
FT-SE-A Non Fins p/e	16.20	(16.29)
FT-SE 100 Fut Mar	3584.0	-13.0
10 yr Gilt yield	7.53	(7.45)
Long gilt/equity yld ratio:	2.02	(2.02)

Best performing sectors

1	Gas Distibution	+4.4
2	Utilities	+0.8
3	Telecommunications	+0.4
4	Water	+0.4
5	Electricity	+0.4

Worst performing sectors

1	Extractive Inds.	-1.4
2	Textiles & Apparel	-1.3
3	Pharmaceuticals	-1.2
4	Engineering, Vehicles	-1.1
5	Breweries	-1.1

Strong rally in Gas

British Gas, labelled "a dog with fleas since the summer" by one trader, may not have become a Crufts champion but was looking slightly more glossy yesterday.

The shares had hit a 2½-year low and underperformed the FT-SE-A All-Share index by some 45 per cent over the past year. Yesterday they recovered 10½, or 4.6 per cent, to 239½p with 18m traded.

There were several reasons given for the turnaround. Initially, analysts pointed to a belated response to the appointment of a new negotiator. The company has taken on Mr Kenneth Gardener from Charterhouse Bank to renegotiate the problematic Take or Pay gas purchase contracts.

Also, the onset of cold weather after the warmest autumn since records began has reminded investors that there is a market to be tapped. And US gas prices are currently very high.

Finally, there was a return of wild stories that Shell or BP might make an offer for the former state monopoly in the hope that a mix of disarray among management and deflation of the share price would provide a chance to extract value from the company.

NatWest advances

The long-awaited sale by National Westminster Bank of its US arm was greeted with relief by the market.

NatWest shares jumped 19½ to 649p on heavier than average turnover of 7m even though the final figure of $3.56bn was lower than first hoped for. The sale to Fleet Financial also included a paper element and some investors had been hoping for a pure cash transaction.

However, NatWest gave the strongest signal so far that it would buy back some of its shares and added that it would not be buying a US investment bank as some analysts had feared.

As to what it does with the cash, analysts seemed to think it might be interested in purchasing Clerical Medical, the mutual life assurance, with which NatWest already has a link.

Utilities deals

London volume was boosted by some particularly large turnover in the electricity sector.

National Power bought 57m of its own shares at 428p through Cazenove. Analysts said the move was unlikely to affect the company's gearing or its intended acquisition of Southern Electric.

However, it did put the spotlight on PowerGen. Mr Angelos Anastasiou of Panmure Gordon commented: "PowerGen is in a position to buy back as much as National Power if not more. PowerGen shares gained 12 at 514p. National Power closed 4 up at 140p.

And Southern, of the US, was said to have been the seller of 25m National Grid shares, part of the stake it acquired after buying South Western Electricity. The bought deal was taken on by Salomon Brothers late on Monday. The US brokerage had the depressing experience of watching Wall Street fall more than 100 points at one stage with the prospect of London falling heavily yesterday.

In the event it managed to make a penny turn on each share, taking them on at 198p and selling them to UK and European institutions for around 199p. National Grid eased a penny to 199p.

Arbitrage action

Active basket trading – dealing in a representative cross-section of blue chip stocks – hit a number of the Footsie leaders.

Arbitrage dealers who concentrate on the difference between the futures contract and the underlying market were selling the latter in response to Monday's big falls on Wall Street.

Heavyweight stocks such as BP, Shell Transport and Zeneca fell 7 to 519p, 8 to 834p and 21½ to 1218p. However, there were some surprising omissions from the traditional list. Hanson, languishing around a six-year low, was being sought out by US buyers yesterday and closed slightly firmer at 185p. Glaxo Wellcome bounced from earlier lows after announcing that it was selling off its Warner Wellcome joint venture to Warner-Lambert for $1.05bn. The shares, off 25 at one stage, ended a net 7 down at 878p.

And BT held virtually steady with a fall of only a penny to 341p as it received US support from Prudential Securities.

A clutch of profits warnings hit small and middle ranking stocks. Courtaulds Textiles said it expected pre-exceptional profits in the year to the end of last November to be down against the previous year. It blamed reduced sales, margin erosion and a further weakening of trading conditions in some markets. The shares tumbled 24 to 373p.

Coats Viyella fared better. Later in the day it said it expected its 1995 profits to be down from the 1994 level and towards the lower end of market forecasts. But the shares shed only a penny to 169p.

Chemicals group W. Canning fell 18 to 212p as it warned on profits growth. It said the last quarter of 1995 saw pressure on margins, while the French subsidiaries were affected by the unrest in the public sector.

Speciality chemicals group Laporte fell 24 to 641p after agency broker James Capel cut the stock to a sell from a hold.

A profits warning from Dutch entertainment and music group Polygram unsettled Thorn EMI, 23 lighter at 1538p.

Retailer Marks and Spencer fell 8 to 431p, with Kleinwort Benson said to have downgraded profits expectations. A two-way pull in Burton Group brought volume of 9.3m by the close as the shares eased 1¼ to 132¼p. ABN Amro Hoare Govett yesterday reiterated its positive stance on the stock, pointing out that the shares remain "undervalued".

Food retailers Watson & Philip was among a handful of stocks in the sector that traded in positive territory for most of the session.

The shares gained 5 to 528p after SBC Warburg, the company's broker, highlighted the prospects for the group's food services division. Warburg also upgraded profits expectations for the year to October 1996 by 2 per cent to £21.5m.

BAA firmed 3 to 478p, with the stock said to be boosted by a Credit Lyonnais Laing recommendation. The same house was also said to have advised investors to sell British Airways, down 4 at 463p. Stagecoach Holdings was one of the day's best performing stocks after the company confirmed that it had been awarded a seven-year franchise to run South West Trains. The shares gained 11 to 293p.

Tarmac led the league table of the day's best performers in the FT-SE Mid 250 index as the shares rose 4½ to 109½p after a broker's recommendation.

Elsewhere, Amec, the construction group which this week saw off a takeover attempt from Norwegian shipbuilder Kvaerner, was actively sold. The shares fell 4 to 89p on trade of 2.2m.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Dec 19	Dec 18	Dec 15	Dec 14	Dec 13	Yr ago	*High	*Low
Ordinary Share	2595.3	2605.1	2633.3	2656.4	2649.0	2349.9	2676.1	2238.3
Ord. div. yield	4.16	4.13	4.08	4.06	4.05	4.44	4.73	4.02
P/E ratio net	15.47	15.57	15.75	15.89	15.86	17.68	21.33	15.35
P/E ratio nil	15.28	15.37	15.58	15.71	15.69	17.20	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2605.1	2586.8	2597.0	2595.5	2594.7	2591.5	2583.8	2590.6	2591.5	2605.1	2583.5

	Dec 19	Dec 18	Dec 15	Dec 14	Dec 13	Yr ago
SEAQ bargains	27,556	27,079	27,682	27,257	27,454	20,573
Equity turnover (£m)†	-	1461.5	1698.8	2064.3	1858.5	1305.6
Equity bargains†	-	31,579	31,884	32,689	32,258	25,871
Shares traded (ml)†	-	571.2	617.4	683.2	637.2	518.9

†Excluding intra-market business and overseas turnover

London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	225	Total Highs	35	Total contracts	42,892
Total Falls	1,420	Total Lows	121	Calls	22,936
Same	1,201			Puts	19,956

Dec. 19 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3585.0	3584.0	-13.0	3594.0	3558.0	14084	64229
Jun		3585.0	-13.0			0	1116

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3960.0	-20.0			0	3315

FT-SE 100 INDEX OPTION (LIFFE) (*3573) £10 per full index point

	3400		3450		3500		3550		3600		3650		3700		3750	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Jan	176½	7½	134	13	95	23½	59½	41	35	67	17	100	7	142	2½	191
Feb	198½	18½	157	27	119½	39	87½	57½	59½	80½	37½	110½	21½	147½	12	191½
Mar	214½	31½	175½	42	139½	56½	107	74½	79	97½	55	125	38	160	25	198½
Apr	217	48½	180½	61	149	79	118	97½	94½	123½	70½	150	54	182	38	216
Jun†	248½	73½			185	107½			128½	149			82	202		

Calls 7,104 Puts 9,468

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3375		3425		3475		3525		3575		3625		3675		3725	
Jan	196	5½	150½	9½	108½	17½	71½	30	41½	49½	21½	79	10	117	4	161
Feb	220½	16	178½	21½	136½	30½	100½	44	71	64	47½	90	29	121	17	158½
Mar	231	25½	191	34½	154½	47	120½	62	91	82	65	105½	45	134½	30	169
Jun			227	72½			165½	107½			112½	151			70½	206
Sept†			278	108½			216½	140½			161½	180½			114½	229

Calls 7,629 Puts 5,161 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
290	F.P.	308.7	347	298	CMG	327	-3	Rv4.8	1.2	1.8	16.9
-	F.P.	24.0	29	23	Cash Converters	24		Mv2.8	5.1	13.5	18.0
-	F.P.	23.7	125	116½	†Century Inns	118½		-	-	-	-
-	F.P.	12.2	510	500	†Com de Part Fin	510		-	-	-	-
150	F.P.	72.1	160	149½	Cortworth	151		Rv5.8	2.1	4.8	12.4
-	F.P.	54.1	110	108	Cox Insurance	110		-	-	-	-
-	F.P.	15.2	90	61	†Dmatek	81	-6	-	-	-	-
-	F.P.	13.2	448	448	East Surrey NV	448		-	-	-	-
100	F.P.	51.0	102	98	Finsbury Tech	102	+1	-	-	-	-
200	F.P.	21.6	203	201	Gearhouse	202	-1	Lv4.4	3.5	2.7	13.2
-	F.P.	3.32	116	83	Jasmin	83		-	-	-	-
-	F.P.	2.00	80	70	London Town	80		-	-	-	-
-	F.P.	14.7	28	25	†Manx & O'seas	25	-2	-	-	-	-
-	F.P.	20.9	99	93½	Martin Currie Jp	96½	-½	-	-	-	-
-	F.P.	2.38	36	29	Do Warrants	35		-	-	-	-
204	F.P.	3,365.1	214½	198	National Grid	199	-1	Wv11.23	2.3	7.1	8.9
200	F.P.	78.0	250	200	Peptide Th'peutics	230	-1	-	-	-	-
-	F.P.	85.6	367	345	†Pet City	365	-2	-	-	-	-
-	F.P.	25.8	152	124	†Polymasc Pharms	129		-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'dilly	100		-	-	-	-
-	F.P.	3.15	3½	3	†Rushmere Wynne	3½		-	-	-	-
-	F.P.	0.07	¾	¾	†Do Wrnts	¾		-	-	-	-
-	F.P.	202.7	48	36	†Trocadero	48	+1	-	-	-	-
-	F.P.	3.90	135	125	†Viewinn	130	-5	-	-	-	-
-	F.P.	47.1	68	55	Wilmington	66	-1	v-	-	-	31.0

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Dec 16	% chg on day	Dec 15	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1911.43	+0.5	1902.38	1853.86	1.79	-	2063.66	1637.91
Regional Indices								
Africa (16)	2478.67	+1.9	2432.10	2935.42	3.77	26.14	3191.21	2272.74
Australasia (6)	2369.21	-1.2	2398.32	2328.99	2.08	37.37	2607.57	1788.20
North America (12)	1688.62	+0.2	1685.70	1463.13	0.79	49.52	1831.00	1348.16

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FT-SE Actuaries Share Indices — The UK Series

	Dec 19	Day's chge%	Dec 18	Dec 15	Dec 14	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3576.9	-0.5	3596.1	3642.6	3671.6	3058.1	3.99	2.09	14.98	142.03	1425.37
FT-SE Mid 250	3937.4	-0.4	3954.0	3959.8	3961.7	3463.7	3.70	1.85	18.26	153.64	1546.28
FT-SE Mid 250 ex Inv Trusts	3952.4	-0.4	3968.0	3971.1	3972.0	3464.5	3.93	1.91	17.09	162.15	1553.25
FT-SE-A 350	1778.6	-0.5	1787.7	1806.4	1817.9	1530.5	3.93	2.04	15.58	70.33	1449.90
FT-SE-A 350 Higher Yield	1778.7	-0.2	1782.4	1802.6	1816.1	1553.3	5.04	1.85	13.41	87.59	1203.77
FT-SE-A 350 Lower Yield	1783.1	-0.6	1797.8	1815.0	1824.4	1507.2	2.79	2.40	16.69	51.74	1212.94
FT-SE SmallCap	1922.96	-0.6	1933.85	1940.04	1938.37	1738.21	3.45	1.70	21.36	61.34	1554.01
FT-SE SmallCap ex Inv Trusts	1901.67	-0.5	1911.62	1916.83	1913.39	1707.17	3.70	1.77	19.06	84.31	1545.09
FT-SE-A ALL-SHARE	1753.78	-0.5	1762.82	1780.34	1790.73	1514.74	3.89	2.02	15.89	68.34	1452.88

FT-SE Actuaries All-Share

	Dec 19	Day's chge%	Dec 18	Dec 15	Dec 14	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 **MINERAL EXTRACTION(23)**	3169.15	-1.1	3203.87	3226.99	3265.98	2677.45	3.70	2.02	16.76	116.72	1333.60
12 Extractive Industries(7)	4187.41	-1.4	4248.89	4251.62	4249.85	3764.98	3.54	2.51	14.10	144.17	1200.74
15 Oil, Integrated(3)	3199.48	-1.1	3234.51	3262.82	3320.45	2654.09	3.85	1.96	16.62	123.19	1380.19
16 Oil Exploration & Prod(13)	2077.91	-0.2	2081.45	2094.39	2049.98	1847.44	2.42	1.49	34.59	49.88	1233.38
20 **GEN INDUSTRIALS(278)**	1897.38	-0.4	1905.84	1921.15	1930.58	1820.85	4.37	1.89	15.13	81.83	1018.55
21 Building & Construction(38)	1019.47	-0.3	1022.24	1022.14	1018.93	977.02	3.95	2.02	15.69	39.29	839.08
22 Building Matls & Merchs(31)	1771.93	-0.2	1775.50	1778.63	1778.52	1766.04	4.16	2.04	14.70	73.55	879.38
23 Chemicals(23)	2271.84	-0.8	2289.64	2302.38	2312.41	2261.10	4.32	1.87	15.50	94.71	1057.47
24 Diversified Industrials(20)	*1709.81*	*-0.1*	*1711.04*	*1736.39*	*1750.50*	*1737.86*	*5.77*	*1.57*	*13.82*	*97.90*	*934.80*
25 Electronic & Elect Equip(37)	2086.84	-0.3	2092.73	2125.67	2141.91	1848.37	3.59	1.99	17.44	75.20	1070.32
26 Engineering(68)	2095.02	-0.7	2109.56	2126.76	2139.79	1777.80	3.81	2.27	15.25	74.11	1253.94
27 Engineering, Vehicles(13)	2418.50	-1.1	2446.61	2454.47	2472.77	2173.11	3.89	1.16	27.65	84.88	1232.83
28 Paper, Pckg & Printing(27)	2456.23	-0.4	2466.30	2458.93	2464.86	2715.91	4.10	2.48	12.32	97.32	1006.41
29 Textiles & Apparel(21)	1402.69	-1.3	1421.54	1421.84	1428.76	1512.52	5.11	1.84	13.33	71.62	841.12
30 **CONSUMER GOODS(89)**	3515.48	-1.0	3550.26	3584.18	3603.48	2794.59	3.87	1.80	17.91	134.12	1275.24
31 Breweries(17)	2758.23	-1.1	2790.11	2808.89	2819.73	2194.06	3.77	1.92	17.27	97.46	1306.48
32 Spirits, Wines & Ciders(9)	2797.08	-0.9	2821.19	2840.63	2849.62	2736.74	4.34	1.76	16.31	125.07	989.90
33 Food Producers(24)	2531.05	-0.9	2552.94	2550.54	2566.73	2284.25	4.07	1.81	16.93	89.12	1121.58
34 Household Goods(11)	2634.38	-0.4	2645.62	2638.73	2613.17	2391.70	3.64	2.13	16.15	90.95	989.11
36 Health Care(17)	1906.20	-0.7	1920.54	1927.35	1936.13	1551.27	2.77	1.79	25.24	49.84	1144.35
37 Pharmaceuticals(10)	4894.24	-1.2	4954.34	5044.28	5051.97	3278.21	3.37	1.70	21.80	162.31	1634.62
38 Tobacco(1)	4603.92	-0.5	4629.34	4663.22	4730.26	3700.31	5.21	1.94	12.36	229.23	1113.83
40 **SERVICES(227)**	2170.82	-0.7	2185.92	2195.96	2208.87	1864.93	3.10	2.10	18.21	67.47	1112.25
41 Distributors(30)	2511.91	-0.3	2519.35	2541.68	2553.28	2516.80	4.01	1.77	17.66	100.88	913.97
42 Leisure & Hotels(30)	2595.82	-0.7	2615.23	2623.82	2611.38	2088.30	3.12	1.89	21.20	74.15	1329.89
43 Media(43)	3376.41	-1.1	3413.63	3463.43	3487.56	2783.10	2.12	2.36	24.96	80.00	1207.84
44 Retailers, Food(16)	1894.25	-0.3	1900.12	1905.06	1932.43	1704.70	3.85	2.40	13.50	72.35	1186.14
45 Retailers, General(43)	1897.85	-0.9	1914.68	1909.54	1924.44	1554.13	3.15	2.26	17.54	59.48	1069.78
48 Support Services(38)	1860.62	-0.4	1868.79	1886.42	1881.42	1454.97	2.48	2.53	16.88	44.55	1170.79
49 Transport(20)	2114.12	-0.1	2115.89	2117.22	2135.38	2195.36	4.13	1.30	23.16	86.39	868.16
51 Other Services & Business(7)	1074.18	-0.2	1076.64	1075.63	1076.36	1230.96	4.39	1.58	17.99	50.09	971.52
60 **UTILITIES(36)**	2394.53	-0.8	2374.98	2393.77	2405.01	2382.93	5.15	2.03	11.94	129.28	991.78
62 Electricity(14)	2702.79	+0.4	2692.79	2719.06	2744.84	2526.79	5.10	2.60	9.43	211.21	1244.11
64 Gas Distribution(2)	1591.81	+4.4	1524.63	1527.83	1523.64	2035.64	7.53	1.04	15.96	119.62	796.84
66 Telecommunications(7)	1921.66	+0.4	1914.27	1935.23	1943.66	1961.56	4.40	1.74	16.33	56.90	867.82
68 Water(13)	2123.67	+0.4	2115.59	2115.93	2119.09	1763.21	5.60	2.66	8.39	115.06	1145.05
69 **NON-FINANCIALS(653)**	1849.62	-0.5	1859.52	1873.29	1884.70	1635.37	3.95	1.95	18.20	73.47	1377.32
*70 **FINANCIALS(113)***	*2821.59*	*-0.4*	*2833.06*	*2894.30*	*2909.72*	*2158.46*	*3.97*	*2.43*	*12.97*	*110.40*	*1180.94*
71 Banks, Retail(9)	4003.49	-0.2	4010.59	4120.54	4131.33	2870.57	3.66	2.80	12.21	146.16	1264.35
72 Banks, Merchant(6)	3556.69	-1.1	3596.27	3606.42	3630.91	2944.97	2.62	2.41	18.81	104.97	1114.39
73 Insurance(25)	1387.27	-1.1	1402.33	1433.11	1455.04	1200.14	5.31	2.68	8.78	73.13	1018.40
74 Life Assurance(6)	3336.21	-1.1	3372.78	3426.59	3462.71	2367.37	4.16	1.53	16.55	136.72	1359.18
77 Other Financial(22)	2369.17	-0.6	2383.14	2403.70	2412.20	1825.13	3.79	1.85	17.67	73.86	1326.04
79 Property(45)	1388.19	+0.1	1387.13	1394.01	1399.35	1367.90	4.52	1.34	20.63	62.66	841.73
80 **INVESTMENT TRUSTS(133)**	2961.48	-0.6	2979.92	3002.74	3011.32	2684.61	2.28	1.04	52.81	63.98	1023.88
89 **FT-SE-A ALL-SHARE(899)**	1753.78	-0.5	1762.82	1780.34	1790.73	1514.74	3.89	2.02	15.89	68.34	1452.88
FT-SE-A Fledgling	1093.27	-0.7	1100.97	1104.42	1105.87	-	2.90	1.24	34.84	32.82	1128.93
FT-SE-A Fledgling ex Inv Trusts	1095.30	-0.7	1103.47	1106.71	1109.26	-	3.06	1.29	31.60	31.85	1130.17

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3570.7	3572.7	3583.1	3579.6	3575.0	3570.1	3559.1	3566.3	3572.9	3584.9	3558.5
FT-SE Mid 250	3928.4	3930.0	3935.2	3937.0	3938.2	3933.1	3930.6	3993.0	3936.4	3937.6	3928.3
FT-SE-A 350	1775.3	1776.3	1780.8	1779.6	1777.8	1775.5	1771.1	1774.0	1777.0	1781.6	1770.6

Time of FT-SE 100 Day's high 10.13am Day's low 1.43pm FT-SE 100 1995 High: 3680.4 (1/12) Low: 2954.2 (23/1).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1019.8	1020.4	1025.5	1025.5	1026.3	1025.7	1024.6	1023.6	1023.6	1023.6	1027.0	-3.4
Pharmaceuticls	4851.6	4828.5	4832.8	4838.5	4831.0	4814.9	4783.0	4806.3	4827.5	4835.7	4895.0	-59.3
Water	2099.4	2103.0	2109.8	2113.7	2113.9	2114.7	2113.9	2115.3	2119.4	2119.4	2111.1	+8.3
Banks, Retail	4026.7	4038.3	4056.5	4049.8	4036.8	4033.5	4020.7	4040.8	4045.1	4054.6	4061.8	-7.2

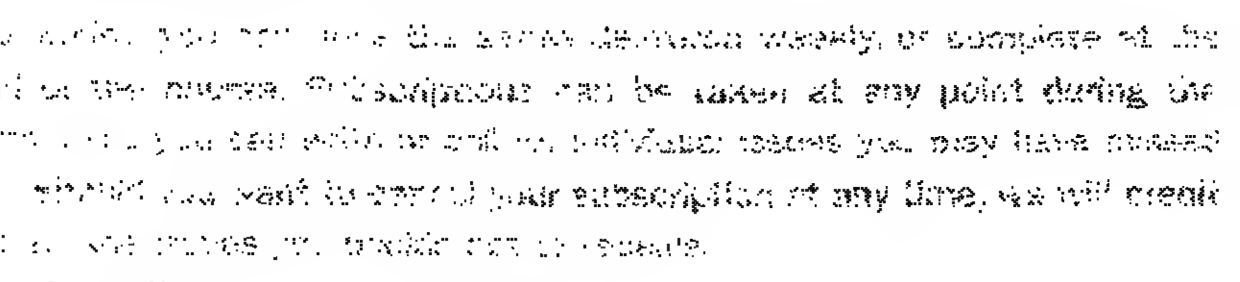
Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Beckman (Fledgling)

TRADING VOLUME

Major Stocks Yesterday

	Vol 000s	Closing price	Day's change
3i†	787	413	+1½
ASDA Group†	4,600	104½	
Abbey National†	5,300	629	+10
Albert Fisher	50	49	-½
Allied Domecq†	3,000	515	-6
Anglian Water	652	597	+4
Argos†	523	598	-6
Argyll Group†	3,600	309	+1
Arjo Wiggins	830	155	-1
Assoc. Brit. Foods†	3,800	363	
Assoc. Brit. Ports	1,500	279	-3
BAA†	2,100	478	+3
BAT Inds.†	5,500	544	-3
BET	813	122½	-2½
BICC	849	277	+5
BOC†	713	881	-15
BP†	4,400	519	-7
BPB Inds.	733	287	-6
BSkyB†	1,900	402	-6
BT†	7,600	341	-1
BTR†	10,000	316	
Bank of Scotland†	1,700	277	-7½
Barclays†	3,900	751	-5
Bass†	1,500	692½	-18½
Blue Circle†	2,400	324	-2
Booker	886	339	-5
Boots†	858	565½	-8½
Britannic	277	734	-1
Brit. Aerospace†	2,000	755	-4
British Airways†	2,300	463	-4
British Gas†	20,000	239½	+10½
British Land	551	365	-1
British Steel†	6,400	150	
Bunzl	392	196½	
Burmah Castrol†	1,600	912	-6
Burton†	9,300	132¼	-1¼
Cable & Wire†	4,500	453	+6
Cadbury Schweppes†	6,400	530	-17
Caradon	3,600	184	+2
Carlton Comms.†	1,800	940	-4
Coats Viyella	3,700	169	-1
Comm. Union†	1,100	615	+1
Compass	112	470	-1
Cookson†	2,200	285	-2½
Courtaulds†	2,000	383	+3
Dalgety	840	398	+3
De La Rue	718	632	-6
Dixons	4,400	420	+2
East Midland Elect.	408	685	-5
Electrocomps	477	350	-2
Eng China Clays	481	306	+1
Enterprise Oil†	1,100	378	
Eurotunnel Units	659	87	-2
FKI	1,800	158½	-3½
Foreign & Col. I.T.†	1,300	158½	-1½
Forte†	2,400	328½	-4½
Gen. Accident†	1,000	623	-20
General Elect.†	8,700	317	-½
Glaxo Wellcome†	5,800	878	-7
Glynwed	482	303½	-½
Granada†	923	629	-2
Grand Met.†	3,400	439	-7
GUS†	3,900	668	-5
GRE	1,800	255	-4
GKN†	610	782	-7
Guinness†	2,300	456	-1
HSBC (75p shr)†	5,500	881	+1
Hammerson	627	343	
Hanson†	21,000	185	+½
Harrisons Crosfield	2,300	147	+2
Hays	715	363	+2
Hillsdown	1,200	162	+2
IMI	700	306	-1
ICI†	2,800	733	
Inchcape	1,900	230	+1
Johnson Matthey	78	522	-4
Kingfisher†	3,100	530	+3
Kwik Save	1,000	500	-6
Ladbroke†	3,500	153	-½
Land Securities†	1,200	594	-1
Laporte	642	641	-24
Legal & General†	1,700	669	+3
Lloyds Abbey	773	480	-5
Lloyds Bank†	4,500	830	-9
LASMO†	847	175	
London Elect.	1,200	886	+5
Lonrho	2,000	177	+3
Lucas	728	172	-3
MEPC	1,100	383	+3
MFI	1,000	161½	+1½
Marks & Spencer†	5,700	431	-8
Mercury Asset Man	218	866	-12
Midlands Elect.	230	744	-13
Morrison (Wm)	5,300	135	
NFC	11,000	131	
NatWest Bank†	7,000	649	+19½
National Grid†	51,000	199	-1
National Power†	120,000	429	+2
Next	1,200	461	-7
North West Water†	940	587	+7
Northern Elect.	318	622	+12
Northern Foods	3,500	168	+1
Pearson†	1,600	584	-15
P & O†	1,900	461	+1
Pilkington†	6,900	202	-2
PowerGen†	3,500	514	+12
Prudential†	3,200	412½	-7½
REXAM†	4,000	349	-3
RMC†	859	971	-12
RTZ†	2,200	930	-16
Racal	1,100	273	+1
Rank Org.†	2,500	431	-1
Reckitt & Colman†	2,200	668	-2
Redland†	1,700	377	+1
Reed Intl.†	1,600	955	-10
Rentokil†	1,100	327	-1
Reuters†	3,500	588	-6
Rolls Royce†	4,200	173	-2
Ryl Bk Scotland†	2,300	568	-17
Royal Insurance†	1,400	373	+2
Sainsbury†	3,800	367	-1
Schroders†	53	1318	-17
Scottish & New.†	2,500	602	-4
Scot. Hydro-Elect.	3,500	357	
Scottish Power†	2,100	359	
Sears	9,500	100½	
Sedgwick	1,800	122	-4
Seeboard	82	528	+3
Severn Trent†	367	676	+2
Shell Transport†	7,400	834	-8
Siebe†	1,500	766	-16
Slough Ests	1,200	212	+2
Smith (W.H.)	1,800	425	+1
Smith & Nephew†	4,500	192	
SmKl Beecham†	4,200	864	-7
SmKl Beecham Uts.†	3,000	854½	-19½
Smiths Inds.†	919	832	-13
Southern Elect.†	475	903	
South Wales Elect.	157	944	+3
South West Water	355	514	+1
Southern Water	308	666	-1
Standard Chartd †	2,700	546	-18
Storehouse	583	337	-3
Sun Alliance†	1,900	368	-5
T&N	3,800	159	-4
TI Group†	1,500	429	+2
TSB†	18,000	392	-3
Tarmac	5,900	109½	+4½
Tate & Lyle†	1,100	450	
Taylor Woodrow	1,400	117	-2
TeleWest	161	157	-3
Tesco†	6,900	291	-2
Thames Water†	1,300	582	+1
Thorn EMI†	2,600	1538	-23
Tomkins†	2,300	269	-3
Trafalgar House	2,900	23	-¼
Unigate	299	400	-3
Unilever†	2,300	1313	-6
United Biscuits	2,100	252	-1
Utd News & Media	877	551	+1
Vodafone†	9,800	211	+3½
WPP	2,000	168	-2
Welsh Water	130	743	+5
Wessex Water	1,700	339	+1
Whitbread†	1,700	664	-4
Williams Hldgs.†	1,700	318	-2
Wills Corroon	1,400	142	-2
Wimpey	1,200	138	+1
Wolseley†	4,800	447	-2
Yorkshire Elect.	58	654	-1
Yorkshire Water	423	593	-7
Zeneca†	1,800	1218	-21½

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.



صكرا من الاهل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 19 / Sch)

BELGIUM/LUXEMBOURG (Dec 19 / Frs.)

CZECH REP (Dec 15 / Koruna)

DENMARK (Dec 19 / Kr)

FRANCE (Dec 19 / Frs.)

GERMANY (Dec 19 / Dm.)

FINLAND (Dec 19 / Mkk)

GREECE (Dec 10 / Drachma)

ITALY (Dec 19 / Lira)

NETHERLANDS (Dec 19 / Fls.)

NORWAY (Dec 19 / Kronor)

POLAND (Dec 10 / Zloty)

PORTUGAL (Dec 19 / Escudo)

SPAIN (Dec 19 / Pts.)

SWEDEN (Dec 19 / Kronor)

SWITZERLAND (Dec 19 / Frs.)

TURKEY (Dec 19 / Tk Lira)

PACIFIC

JAPAN (Dec 19 / Yen)

HONG KONG (Dec 19 / H.K.$)

INDONESIA (Dec 19 / Rupiah)

MALAYSIA (Dec 19 / MYR)

SINGAPORE (Dec 19 / S$)

NEW ZEALAND (Dec 19 / NZ $)

AUSTRALIA (Dec 19 / Aust$)

TAIWAN (Dec 19 / TW $)

THAILAND (Dec 19 / Baht)

SOUTH KOREA (Dec 19 / Won)

AFRICA

SOUTH AFRICA (Dec 19 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 19 / Can $)

4 pm close

MONTREAL (Dec 19 / Can $)

4 pm close

INDICES

	Dec 10	Dec 18	Dec 15	1995 High	1995 Low
Argentina General(29/12/77)	(a)	15217.61	15219.42	16531.10 2/1	9831.09 9/3
Australia All Ordinaries(1/1/80)	2182.8	2207.7	2220.8	2225.60 13/12	1823.30 8/2
All Mining(1/1/80)	995.4	1005.8	1019.5	1029.50 1/8	785.30 8/2
Austria Credit Aktien(30/12/64)	335.62	341.72	345.06	355.42 2/1	328.50 27/10
Traded Index(2/1/91)	921.97	938.68	953.42	1056.31 2/1	882.15 23/10
Belgium BEL20(1/1/91)	1536.00	1544.92	1556.57	1587.44 13/12	1271.63 9/3
Brazil Bovespa(29/12/93)	(a)	40560.0	41587.0	46612.00 10/9	21382.00 9/3
Canada Metals Mining(1/1/75)	(a)	5031.79	5110.16	5288.37 23/11	3805.63 1/3
Composite*(1/1/75)	(a)	4613.40	4672.90	4745.10 6/12	3391.41 30/1
Portfolio 55(4/1/83)	(a)	2279.33	2311.24	2342.77 11/12	1753.36 30/1
Chile IGPA Gen(31/12/80)	(a)	5713.32	5727.33	6363.10 11/7	4576.90 6/3
Denmark Copenhagen SE(31/8/3)	360.34	364.40	366.16	375.44 25/8	330.01 29/3
Finland HEX General(28/12/90)	1600.59	1646.42	1653.57	2332.22 14/9	1595.39 29/3
France SBF 250(31/12/90)	1195.86	1203.15	1224.28	1322.39 12/5	1154.41 13/3
CAC 40(31/12/87)	1810.21	1830.47	1859.25	2017.27 12/5	1721.14 23/10
Germany FAZ Aktien(31/12/58)	805.35	812.10	815.98	848.76 10/9	708.87 30/3
Commerzbank(1/12/53)	2327.9	2351.4	2363.4	2427.60 19/9	2019.70 30/3
DAX(30/12/87)	2235.62	2256.19	2294.77	2317.01 15/9	1910.98 30/3
Greece Athens SE(31/12/80)	890.32	890.46	898.20	992.99 4/5	787.15 16/3
Hong Kong Hang Seng(31/7/64)	9705.86	9906.58	9858.65	10032.83 17/10	8567.93 23/1
India BSE Sens.(1979)	3037.01	3042.98	3049.40	3932.09 3/1	2822.15 29/11
Indonesia Jakarta Comp.(10/8/82)	491.24	492.63	492.33	519.18 1/8	414.21 19/4
Ireland ISEQ Overall(4/1/88)	2293.58	2322.39	2334.891	2280.71 7/12	0.00 19/12
Italy Banca Comm Ital(1972)	578.86	582.48	580.78	600.94 10/2	547.79 5/12
MIB General(31/1/69)	914.0	930.0	917.0	1076.00 10/2	899.00 5/12
Japan Nikkei 225(16/5/49)	19140.49	19311.08	19046.55	19884.04 4/1	14485.41 3/7
Nikkei 300(1/10/82)	285.79	287.80	287.99	298.22 7/12	222.26 1/6

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Dec	1815.0	1817.0	-9.0	1828.0	1804.0	26,988	33,698
Jan	1821.5	1824.5	-9.0	1835.0	1813.0	5,200	9,421
■ DAX							
Mar	2262.0	2263.5	-1.5	2288.0	2246.5	16,242	-
Jun	2272.0	2276.5	+2.0	2280.5	2263.0	34	-

— Set Dec 10: Taiwan Weighted Price 5039.61. Korea Comp Ex 884.39. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.9; JSE 36 Industrials - 204.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto (c) Closed (a) Unavailable. ‡ IBIS/DAX after-hours index Dec 19 - 2241.13 +1.19

	Dec 18	Dec 18	Dec 15	1995 High	1995 Low
Japan Topix(4/1/68)	1520.12	1531.66	1531.09	1563.46 4/1	1193.18 13/6
2nd Section(4/1/68)	1983.72	1994.40	2004.52	2130.68 4/1	1441.90 13/6
Malaysia KLSE Comp.(4/4/86)	977.49	984.60	980.52	1885.94 5/6	940.87 24/1
Mexico IPC(Nov 1978)	(a)	2656.60	2675.69	2734.50 29/11	1447.52 27/2
Netherland CBS Tilburg(End 83)	518.1	521.5	523.9	528.59 14/12	422.60 23/3
CBS All Shr(End 83)	313.7	315.7	317.2	318.80 11/12	265.20 23/3
New Zealand Cap. 40(1/7/86)	2037.08	2112.77	2111.20	2206.02 20/10	1801.43 5/1
Norway Oslo SE(ind)(2/1/83)	1219.60	1241.86	1252.64	1292.16 18/10	1038.00 10/3
Philippines Manila Comp(2/1/85)	2476.15	2491.96	2497.65	2558.12 10/7	2196.48 20/11
Portugal BTA(1/1/77)	2502.6	2504.8	2492.2	2911.80 9/1	2412.50 22/11
Singapore SES All-S pore(2/4/75)	540.94	539.82	549.15	549.15 15/12	472.90 23/1
South Africa JSE Gold(29/9/78)	1334.4¶	1338.1	1316.1	2025.90 2/1	1250.20 30/10
JSE Ind(29/9/78)	7902.9¶	7952.9	7923.9	7952.10 18/12	6222.80 31/1
South Korea KoreaCmpEx*(4/1/80)	850.76	867.18	869.55	1027.37 2/1	847.09 27/5
Spain Madrid SE(30/12/85)	311.86	314.57	315.56	318.98 13/9	284.06 23/3
Sweden AffärsvärldsGen(1/2/37)	1634.1	1671.3	1686.7	1872.10 19/9	1439.80 23/3
Switzerland Swiss Bk Ind(31/12/58)	1484.20	1498.56	1515.69	1515.69 15/12	1174.63 13/3
SBC General(4/1/87)	1105.79	1116.91	1128.75	1128.75 15/12	870.58 13/3
Taiwan Weighted Pr.**(30/6/66)	5082.17	5112.92	5053.90	7651.49 5/1	4930.37 14/8
Thailand Bangkok SET(30/4/75)	1247.26	1254.26	1262.77	1472.84 10/7	1135.69 16/3
Turkey Istanbul Cmp.(Jan 1986)	39558.62	40486.1	39669.0	54003.90 21/4	24644.31 23/1
WORLD MS Capital Intl(1/1/70)	716.7	720.5	725.0	729.10 14/12	598.21 23/1
CROSS-BORDER Eurotrack 100(29/10/90)	1450.49	1466.72	1475.14	1480.68 15/9	1222.41 13/3
Euro Top-100(30/6/90)	1301.97	1311.72	1324.86	1332.94 14/12	1117.34 9/3
JCapit Orgds(31/12/89)	(a)	333.46	335.47	349.47 1/7	292.87 23/1
IMC Emrg Emrg(7/1/92)	143.48	144.37	143.90	158.07 2/1	117.33 10/3

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ OMX							
Dec	1276.50	1277.00	-35.00	1289.25	1264.00	6,145	9,861
Jan	1287.50	1284.25	-37.75	1299.00	1273.00	3,254	8,548
■ SOFFEX							
Jan	3230.6	3226.5	-32.0	3238.0	3195.0	7,930	12,263
Feb	3235.0	3230.5	-32.0	3235.0	3218.0	9	699

US INDICES

Dow Jones	Dec 19	Dec 18	Dec 15	Dec 14	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5075.21	5178.73	5182.15	5216.47 (13/12)	3832.08 (30/1)	5216.47 (13/12/95)	41.22 (2/7/32)	
Home Bonds	104.72	104.90	104.98	105.34 (11/12)	93.53 (3/1)	108.77 (18/10/93)	54.98 (1/10/81)	
Transport	1897.83	2033.62	2058.62	2092.11 (5/12)	1473.16 (3/1)	2092.11 (5/12/95)	12.32 (8/7/32)	
Utilities	222.25	221.98	221.07	222.25 (18/12)	183.03 (3/1)	236.48 (31/8/93)	18.50 (8/4/32)	

DJ Ind. Day's high 5198.36 (5217.56) | Low 5042.78 (5135.54) | (Theoretical♦)
Day's high 3174.20 (5188.65) | Low 5070.15 (5183.00) | (Actual♦)

Standard and Poors Composite†	608.81	616.34	616.92	621.69 (13/12)	458.11 (3/1)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials†	712.20	724.32	726.07	731.85 (13/12)	546.20 (3/1)	731.85 (13/12/95)	3.52 (21/6/62)
Financial	60.49	61.50	61.30	63.68 (5/12)	41.84 (3/1)	63.68 (5/12/95)	8.54 (1/10/74)
NYSE Comp.	323.66	328.68	329.18	331.77 (13/12)	250.73 (3/1)	331.77 (13/12/95)	4.48 (25/4/42)
Amex MM Val	527.44	535.37	537.77	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1002.56	1030.46	1038.10	1069.79 (4/12)	743.58 (3/1)	1069.79 (4/12/95)	34.97 (31/10/72)

■ RATIOS

	Dec 15	Dec 9	Dec 1	Year ago
Dow Jones Ind. Div. Yield	2.27	2.27	2.30	2.80
	Dec 13	Dec 6	Nov 29	Year ago
S & P Ind. Div. yield	1.95	1.95	2.00	2.48
S & P Ind. P/E ratio	19.08	18.98	18.84	18.29

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Hasbro	26,242,000	14⅝	—
Micron	9,847,800	43⅝	-1⅛
K-Mart	7,672,500	6	-⅛
IBM	6,208,100	89	-1⅛
Nabis A	5,779,900	32⅜	-⅝
Texas Inst's	5,186,800	46⅝	-2⅝
Motorola	4,387,800	56⅛	-1
Gen Elec	3,463,600	72⅝	+⅛
Compaq	3,420,900	45⅝	+⅛
LSI Logic	3,340,700	31⅛	-1

■ TRADING ACTIVITY

● Volume (million)

	Dec 18	Dec 15	Dec 14
New York SE	426.237	639.527	461.933
Amex	20.250	22.391	21.460
NASDAQ	590.600	594.291	589.944

NYSE
Issues Traded 3,098 3,096 3,090
Rises 473 1,125 1,051
Falls 2,021 1,236 1,275
Unchanged 604 733 765
New Highs 81 156 161
New Lows 62 31 27

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	611.30	612.40	+0.80	615.10	611.50	68,627	191,597
Jun	616.90	619.45	+2.45	619.45	616.90	901	6,381
■ Mkt'cal 225							
Mar	19150.0	19200.0	-190	19240.0	19130.0	16,793	137,302
Jun	19370.0	19180.0	-190	19370.0	19180.0	233	17,573

Open interest figures for previous day.

■ TOKYO – MOST ACTIVE STOCKS Tuesday, December 18, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hamaya	15.0m	366	+20	Mitsubishi Hvy	4.7m	913	-12
NEC	7.8m	1200	-20	Koa Oil	4.6m	915	+15
Nip Koshuha	6.7m	700	+62	NKK	4.6m	271	+5
Toshiba	6.1m	761	-6	Nip Steel	4.5m	348	-5
Hitachi	4.8m	968	-22	Nippon Oil	4.5m	582	-2

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily), if Dealings suspended, ex Ex dividend, xa Ex scrip issue, xr Ex rights, xd Ex all. ‡ Prices in US $.

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*Prices supplied by Telekurs

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4 pm close December 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close	Ch'ge from Prev. Close
21⅛	12⅛	AAR	0.48	2.3	25	177	21⅛	20½	21	+⅛
45¼	35	AMP	0.82	2.4	20	6546	39⅛	38⅞	39	+1⅛
80¼	53⅞	AMR			17	7488	74¼	72⅞	74¼	+½
47⅞	38⅞	ASA	1.71	4.5	25	630	38¼	37½	38⅛	+⅞
44⅛	30⅞	Abbott.	0.84	2.1	19	13669	41½	40¼	40¼	-1⅛
18⅞	12	Abbtbl Pr	0.40	2.6	7	2251	14½	13⅞	14¼	-¼
29½	21	ABM Ind	0.80	2.2	14	52	27⅞	27¼	27⅛	-⅛
17½	13⅛	Acptrnsln			19	34	15⅛	15	15⅛	
40	21⅞	ACE Ltd	0.56	1.5	9	1298	38¼	37¼	38	+¼
9⅞	6⅞	ACM Gvt In	0.90	9.9	6	857	9¼	9⅛	9⅛	-⅛
7¼	6½	ACM GrOpp	0.86	8.9		129	7⅞	7¼	7⅞	+⅞
7½	5⅛	ACM Gvt Sp	0.75	11.3		401	6⅞	6½	6⅝	
8¼	7¼	ACM Gvt Se	0.80	10.7		1445	8⅛	8⅛	8⅛	+⅛
9½	7⅞	ACM Mun	0.80	10.3		872	8⅞	6¾	8¾	
29½	10¼	AcmeClv	0.48	2.9	20	721	16½	16⅞	16⅞	
38¼	7⅞	Acme Elec			70	294	8½	8¼	8½	+¼
34½	23¼	Acordia	0.72	2.5	15	87	29⅞	29¼	29¼	+⅜
16⅞	10¼	Acusoo			36	580	12⅞	12¼	12⅞	
18⅞	15⅞	Adams Expr	0.48	2.6	0	98	18½	18⅜	18⅞	-⅛
38⅞	27⅞	AdvMic			510	083	17½	17⅛	17½	+½
9¾	5	Advest Grp	0.18	1.0	11	20	8⅞	8½	8⅞	
27½	16½	Advo Inc	0.10	0.4	19	880	25½	25¼	25⅞	+⅜
42⅞	24.00	Aegon	1.28	3.1	15	99	42	41⅞	41⅞	
5⅞	3⅞	AetTlx			8	311	4⅞	4	4⅞	+⅛
76¼	48⅛	AetnaL	2.76	3.9	33	4217	76½	69⅞	70¾	-⅛
44⅞	31⅞	Affac	0.52	1.2	12	2361	41⅛	41⅛	41⅛	+½
28⅞	16	Afrmsco	0.88	3.4	8	6574	26¼	23⅞	26¼	
59½	43⅞	AirPrC	1.04	1.9	16	3973	62¼	52½	53⅝	+⅛
29½	18⅞	Airtne Frt	0.30	1.2	24	1775	25½	25	25½	-⅞
31	19⅞	Airgas Inc			27	1148	30⅞	30⅛	30⅛	+¼
18	13⅞	Airlease	2.00	11.3	12	37	17¾	17⅞	17⅞	
35⅞	24	AirTch			107	14969	27⅞	26½	26¼	-½
21⅞	13½	Alaska Air	0.20	1.2	16	2739	17¾	17	17¼	
26½	17⅞	Albany Int	0.48	2.1	14	524	19¾	18¾	18¾	-⅜
60	12¼	Albmrl x	0.22	1.2	22	546	18¾	18⅞	18¾	+¼
36½	25⅞	AlbCuB	0.92	0.9	19	66	36	36⅞	36	
32⅛	23	AlcAvr A	0.92	1.0	23	106	31⅛	30⅞	31⅛	+⅛
34⅞	27¼	Alden	0.52	1.5	18	3383	33⅞	32¼	33⅞	+½
36⅞	23⅞	AlcAl	0.60	1.8	13	4008	32⅛	31	32	+1
47⅛	31	AlcSt	1.04	2.3	50	1132	48	45¼	48	+⅜
60¾	29½	AlexBrown	9.80	2.9	7	991	46⅞	36¾	46⅞	+⅞
26⅞	18½	AlexW	0.10	0.5	15	735	19⅞	19⅛	19⅞	+½
23	16⅞	Allegh Lud	0.46	2.8	11	782	18⅞	17⅞	18¼	+⅛
28⅞	21½	AllegP x	1.68	5.6	15	2212	u29½	28¼	29	+¾
39⅞	21⅛	Allen Con	0.20	0.6	30	1344	22⅞	21¾	22¾	
33¾	25¾	Allergan	0.48	1.5	30	1815	32¼	31⅞	31¾	
22¼	15⅞	Alliance Cap	1.72	7.6	12	792	22⅞	22¼	22½	
10⅞	6⅞	Alliance Cl	0.18	1.8		101	10⅛	10⅛	10⅛	
34¾	23½	Alld Irish	1.11	3.4	11	10	32¾	32½	32½	
49⅞	33⅞	AllStg	0.78	1.8	15	5781	48	46	47⅛	-¼
10½	9¼	Allstar	0.64	6.1		100	10½	10	10½	
42⅛	23½	Allstt	0.78	2.0	10	8206	39¾	39⅛	39⅞	-⅛
31¼	23¼	Allet Cp x	0.96	3.4	17	1925	28⅞	27⅞	28⅞	+½
6⅞	4½	Allwaste			45	1472	4⅞	4½	4½	+⅛
24¾	16½	AlphamrsA	0.18	0.7	517	288	u26⅞	24½	26⅞	+1⅞
37⅞	23¾	Alumax			6	4039	30½	29¾	30½	+⅞
60¼	36⅞	Alcoa	0.50	1.5	10	14441	56¾	53¼	50½	+2⅞
28⅞	18⅞	Alza Cp A			27	2183	22¾	22⅞	22¾	-⅛
7⅞	5⅞	AmGoldnc	0.96	14.2		377	6¾	6¾	6¾	+⅛
14¾	7	Am Precis	0.28	2.4	17	71	11⅛	10¾	11	+⅛
7⅞	4½	AmazCl	0.05	1.1	12	1429	7½	7¼	7⅛	-⅛
22¼	16¾	Amcast Ind	0.56	3.0	9	216	18⅞	18⅛	18⅛	
53⅛	43¼	AmdahlK x	0.36	1.2	42	5903	51	49⅛	51	+1¼
47¼	36⅞	AmBrnd	2.00	4.5	10	4236	45	44¼	44⅞	+½
27	13¾	Am Bus Prd	0.56	2.2	18	165	25⅛	25	25⅛	-⅞
7½	6½	Am Cap Inc x	9.84	0.6		209	7⅛	7⅛	7⅛	
60¼	18¾	Am Cap Bd x	1.54	7.9	24	123	19⅞	18½	19⅞	-⅛
21¾	16	Am Cap CU x	1.36	6.5	0	181	20⅞	20⅞	20⅞	
39⅞	31¼	AmBDPw	2.40	5.9	14	3748	u40⅞	39⅞	40⅞	+½
45¼	29¼	AmEaxr	0.90	2.2	13	1318	42	40⅞	41⅞	+⅜
30¼	27½	AmSent	1.24	3.6	10	2184	34	33⅞	34	+⅞
8½	4⅞	Am Dvrl In	0.77	14.3		380	5½	5⅞	5⅞	
22⅞	17½	Am Hlth Pr	1.98	9.4	12	1770	21¼	20⅞	21⅛	-⅛
22	18¼	Am Heritge x	0.72	3.3	11	185	u22	21¾	21⅞	+⅜
98⅞	61⅞	AmHome	3.00	3.1	14	8369	96¾	94¾	96¼	-1½
3⅛	2⅞	Am Hotels	0.75	23.1	18	79	3¼	3¼	3¼	
95¼	64	Amlnst x	0.34	0.4	18	10097	94⅞	91⅞	94⅞	+1¾
7⅛	5½	Am Opp Inc	0.64	14.0		1099	6	5¾	6	+⅛
31¾	21	Am Predct	0.40	1.8	10	1590	25⅞	23¼	21¾	-1¼
9⅞	6¾	Am Real Es	0.44	5.2	5	344	8½	8½	8½	
38¾	23¼	AmStor	0.56	2.1	11	1490	28⅞	28⅛	28¾	+⅛
20½		17 Am Watr 5%	1.25	0.6		2	18¾	18	18	-1
33⅞	26¾	Am Watr	1.28	3.8	12	866	u34¼	33	34¼	+1¼
32½	22¾	Am Fin	1.90	3.4	13	1027	29½	28⅞	29½	+⅛
32	18⅞	AmStnd			54	1143	30⅞	29½	30¼	-⅛
59¼	39⅞	Amritch	2.00	3.4	16	5044	59	58⅞	59	+⅞
30	29½	Ameron Inc	1.28	3.5	11	157	36½	36½	36½	-⅞
18½	15¾	Amwlsk x	0.24	1.3	13	223	17⅞	17¾	17⅞	
71⅞	55⅞	Amoco	2.48	3.4	15	6789	70⅞	69½	70½	+¼
11¼	7¾	AmpcoPitt	0.10	0.9	13	81	10⅞	10¾	10¾	+¼
14⅞	3¼	Ashre Inc	9.12	0.9	51	501	12¾	12½	12¾	+¼
41⅛	25¾	Amsouth x	1.52	3.9	14	1314	38½	37⅞	38½	+¼
2⅛	6	15 Amacomp			0	4134	0.18	u0.15	0.15	
50⅞	35⅞	Amadarko x	0.30	0.6	183	2193	49½	48	49⅞	+⅞
39⅞	30	Amalog			24	3041	33¼	32¼	33¼	+⅞
27½	19⅞	Angelica x	0.96	4.8	15	213	20¼	d19¼	20	
68	58¼	AnBch	1.79	2.7	16	2773	66⅞		66⅞	-⅛
23½	19½	Anbar			23	1350	17¾	17½	17¾	-⅛
23¼	19⅞	Anthony In	0.44	2.0	17	272	22½	22¼	22¼	-⅛
56⅞	31⅞	Aon Cp	1.38	2.7	14	1803	49½	49	49¼	+⅞
31	23¼	Apache Crp	0.28	1.0	66	2337	28⅞	28⅛	28¾	+¼
9⅛	8½	Apex Mun F	0.83	7.0		304	9⅛	9	9	
30¼	18⅞	APH			18	1062	21½	20¾	21¾	-⅛
18¾	2½	Apold Mag			150	2903	15¾	14½	15¼	+1¼
35½	22¾	Appl Pw A	0.12	0.4	15	166	29	28⅞	28⅞	-⅛
20	14⅛	ArchDn	0.10	0.6	11	9891	17½	17¼	17½	+⅛
50⅞	41¼	Arco Chem	2.60	5.8	9	390	48	47½	47⅞	-⅛
50⅞	41½	Armco 4.5P	4.50	9.8		3	47½	47½	47½	-⅛
7¾	5½	Armco			20	1126	5⅞	d5⅞	5⅞	
26¼	20	Armco 2.1P	2.10	8.6		2	23¾	23¾	23¾	-⅛
64½	38⅞	Arnstrw	1.44	2.3	16	1429	63	61⅞	62⅞	-⅞
59¾	39½	Arrow Elec			11	6437	40¾	39¼	40¾	+½
6	3¼	Artra Grp			0	150	3⅞	3⅞	3⅞	
24⅞	16½	Arvin Ind	0.76	4.6	10	982	16¾	d16⅛	16¾	-½
30⅞	23⅞	Ascarco	0.60	2.5	9	2987	32⅛	30	32⅛	+1⅛
30¾	30½	Ashld Coal	0.46	2.2	9	60	21¾	21	21⅞	
36½	30½	AshOil	1.10	3.1	445	821	35⅞	35¼	35⅞	+⅛
17⅞	11⅞	Asia Pac F	0.84	0.3		873	13⅞	13⅞	13½	
3⅞	1⅞	Assel Inv r x	0.36	12.5	4	494	2⅞	2⅞	2⅞	-⅛
68½	47⅞	AT&T	1.32	2.8	252	3644	66⅛	65⅞	66	+⅛
280	242	At Hch 2	2.60	1.1		2	260½	259¼	260½	-9⅞
20	15	Atlnta Gas	1.06	5.4	39	495	19⅞	18¼	19⅞	+¼
11½	5½	Atlnta Sos	0.28	2.4	14	132	u11⅞	11¼	11⅞	+⅛
20	17½	Atmic Egy	1.54	7.7	17	999	u20	19½	19⅞	+⅛
117⅞	100½	AtRich	5.50	5.0	15	3942	110⅞	108⅞	110⅛	+1⅞
2½	1⅛	Atlas			1	21	1½	1⅞	1½	+⅜
22⅞	18⅛	Atmos Engy	0.92	4.0	16	119	u22⅞	22½	22⅞	
24½	14½	Avnet	0.16	1.0	12	1899	15⅞	15¼	15¼	-⅛
8⅞	7⅞	Austria Fd	0.03	0.3		218	8⅛	8	8⅛	
82⅞	57⅞	AutData x	0.78	1.0	24	4958	72⅞	70	70⅞	+1⅞
30¼	22	AutoZone			28	1652	28⅞	27⅞	28⅞	+⅛
18¼	14⅞	Avemco	0.48	2.9	17	5	16½	16¼	16½	
8⅞	5⅞	Avistl x	0.04	0.5	13	892	8⅞	8½	8⅞	+⅛
55⅞	35¼	Avnet x	0.60	1.4	11	3555	42½	41¼	42½	+⅞
70⅞	54	AvonPr	2.20	2.9	18	2726	76⅞	75¼	76½	+⅛
16⅞	11½	Aydin Corp			17	83	15¼	15	15	-⅛
10⅛	5¾	Aztar			67	717	8¼	8	8⅛	

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1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close	Ch'ge from Prev. Close
34⅞	28	BCE x	2.72	8.2	18	1150	33	32½	33	+½
8⅞	6¼	BET ADR	0.27	3.5	8	129	7¾	7⅝	7¾	+⅛
6	3⅞	Balmco	0.20	3.5	7	136	5¾	5¾	5¾	
17⅞	13¾	Baker Fent	0.48	2.4	138	542	16½	16⅛	16½	
24¼	16¾	BakerH	9.45	1.9	35	9130	24	23¾	24	-⅛
26½	17¼	Baldor Elc x	0.36	1.7	19	262	21⅞	20⅞	21	
38¾	25¾	BallCp	0.80	2.2	245	818	27⅞	26⅞	27	+⅛
16½	10¼	BltMkl	0.08	0.5	23	503	17⅞	16½	17½	+¾
12⅞		6 Bally			37	2350	12⅞	12	12½	+⅛
26⅛	22	BalGE x	1.56	5.6	14	1610	u28⅛	27⅞	27⅞	+⅛
48⅛	25½	BncOne x	1.36	3.5	13	5051	38¾	37¼	38⅛	+1⅛
33⅞	23½	BancoBil V	1.07	3.2	11	36	36⅞	33¾	33⅞	+¾
12¼	9¾	BCH	0.36	3.6	7	4	10	10	10	
37⅛	24⅞	Bcrptlowell	1.09	3.0	14	884	36½	36½	36½	+1
65⅞	49	Bandag x	0.80	1.5	13	294	53¼	52⅞	52⅞	
60½	39½	BankAm	1.64	2.8	10	9388	65	62⅞	64⅞	+1⅞
84½	74	Bank Bost	5.56	9.6		1	61½	61½	61½	
50⅛	25½	BkBstn	1.48	3.3	10	5720	84¾	44¼	44¾	+½
47½	40¾	Bk Boston P	3.04	6.6		2	45⅞	45⅞	45⅞	-⅛
40	28½	BankNY	1.44	3.0	101	1211	47⅞	47¼	47¾	+½
50	42	BankAm A	3.25	8.8		15	48	47¾	48	
85⅛	71½	BankAm B	6.60	6.8		10	98¼	90⅞	90½	
72	49¾	BnkTst	4.50	5.0	36	5175	68¼	65¾	67¼	+¾
50¼	30	Bdleys	1.54	3.3	9	24	47	46½	46½	
31¾	25½	Bard (C R)	0.64	2.1	25	2152	30⅞	30⅞	30⅞	+¼
45¾	38¼	Barnes Grp	1.60	4.3	9	54	37¼	37¼	37¼	+½
62¼	30¼	BarrRk x	1.88	3.2	11	3628	58¼	57¼	58¼	+⅞
27⅞	10¾	BrckGd	0.12	0.5	33	5020	26¼	25⅞	26⅛	-⅛
23⅞	7⅞	BarryRG			34	318	19⅞	19½	19½	-½
12⅞	7⅞	BatlMt	0.50	0.8	10	3678	8⅞	8	8⅞	+½
44½	30⅞	Bausch	1.84	2.6	42	6458	40½	39½	39⅞	
44¾	26¾	Baxter x	1.13	2.7	16	3678	42¼	40⅞	42	+1
28⅞	22¼	Bay St Bas	1.50	5.2	17		50	u29¼	29⅞	+⅞
48¾	38¼	BBN				3181	41	d38⅞	40⅛	+⅞
22	10	Bd Tr 1836	1.64	7.8		20	21⅛	21	21⅛	
8¾	6¾	BEA InsFd				451	7⅞	7⅞	7⅞	
8⅞	6½	Bea Strat	0.81	9.1		143	u8⅞	8¾	8⅞	+⅛
23⅞	15⅞	Bear Strns	0.60	3.0	9	2813	20¼	19⅞	20⅛	+⅛
44½	40¾	BearSlPfA	2.75	6.2		350	44¼	44¼	44¼	
28½	10.33	Beatrnps	0.56	2.2	15	102	25	24⅞	25	+⅛
35⅞	28½	Beckman In	0.44	1.3	19	314	35	34⅞	34¾	

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close	Ch'ge from Prev. Close
76	40	BectnD x	0.82	1.1	20	1034	72	71⅞	72⅞	-⅛
7¼	5½	BdfdProp	0.42	8.0	21	17	7	7	7	
68⅞	48⅞	BelAtl	2.80	4.1	18	7028	u66⅞	66¼	67½	+⅞
25⅞	17¾	Bell In	0.40	1.6	15	73	23	21¾	21⅞	+⅛
43½	27	BellSth	2.86	6.6	22	7474	u43⅞	41⅞	43⅞	+1
38¾	27¾	Belo A	0.32	0.8	10	227	34⅞	34⅛	34⅞	+⅛
30	23	Bemis	0.64	2.5	18	932	25⅞	25¼	25¼	+⅜
64¾	49½	Bendix 4.3P	4.30	0.6		5	u64¼	64¼	64¼	
65½	37	Bensel	1.88	3.9	17	1110	40	47⅞	48¼	+⅛
24⅞	18	Benetton A	0.31	1.3	14	70	24⅞	24	24⅞	+⅛
12	7	Bengunet B	0.04	0.1	21	480	1	1	1	-⅛
29⅞	19¼	BergBr	0.40	2.0	15	761	24⅞	24⅛	24⅞	+¾
23400	20100	BerkH			76	2	32200	31300	32200	+600
10⅞	8⅛	Berry Petr x	0.40	3.8	22	373	10⅛	10¼	10½	-⅛
33⅞	16⅛	Best Buy			13	5678	17⅛	16⅞	17¾	+1
27⅞	24⅞	Beth St 2	2.50	9.3		16	26⅞	26¾	26¾	
55¼	48⅞	Bethlm Pf	5.00	0.6		24	52⅞	52⅛	52¼	
19½	12⅞	BethSt	0.40	2.8	11	6130	14½	14⅛	14½	-⅛
46⅞	38¼	Betz L	1.48	3.7	15	1091	39½	36	39½	+¼
18⅞	11	BevEnt			13	20129	16⅞	d9¼	10	-1⅞
22½	12⅞	BlocwH x	0.10	0.8	45	460	13⅞	13	13¼	+¼
22¼	14	Birmingm 0	0.40	2.8	8	1006	14⅛	14⅛	14⅛	
38⅞	23	BlDock x	0.40	1.2	18	2825	34¼	33⅞	33¾	-½
26⅞	19¾	Black H PL	1.34	5.3	14	106	25⅞	24⅞	25¼	+⅛
8⅞	7¾	BlackrAdv x	0.62	7.1		424	8¼	8⅛	8⅛	+⅛
7⅞	6¼	Blckrckinc x	0.56	9.8		1784	6½	6⅛	6⅛	
9⅞	8¼	BlckwStgt x	0.58	6.7		461	8¾	8⅞	8⅞	-⅛
48⅞	33⅞	Block x	1.28	3.1	40	2647	42¼	40¾	41⅞	+⅛
31½	28¾	Blount A x			10	919	26⅞	d25½	25¾	-1
8¼	6	Blue Chip	0.16	1.8		334	8½	8⅛	8½	+⅛
21⅞	7.71	BMC Ind x	0.50	0.2	20	1573	21⅛	20⅞	21	+½
76¾	44⅞	Boeing	1.00	1.3	11	8032	76	73¼	75⅞	+2½
47½	26¼	BohsC	0.80	1.9	0	5764	33	31½	32⅞	+½
10⅞	4⅛	Bonbay Co			15	1058	0⅛	5⅞	6	-⅛
25⅞	13	Bordn Chm	5.08	42.9	2	1157	13⅛	13⅛	13¼	-¼
28½	10¼	Bostn Cstl	1.50	8.6	27	76	23¼	22⅞	22⅞	
47⅞	18⅞	BosScl			167	1998	45½	44¼	45⅞	+⅞
54⅞	26⅞	Bowatr x	0.60	1.6		615947	24¼	32⅞	34½	+1⅛
30¼	17⅞	Brazil Fnd	0.27	1.3		474	20⅞	19⅞	20½	+⅛
34	28⅞	BRE Prop x	2.52	7.6	16	62	33½	33¼	33½	+⅛
29	16⅞	BroadTech	0.20	1.0	8	1544	20⅞	20	20⅛	
42¾	32¼	BrigSt	1.04	2.5	16	422	42	41¼	41¾	+¼
20⅞	11⅞	Brinkerint			18	2599	15¼	14⅞	15	-¼
87½	57¼	BrklyStl	3.00	3.6	28	11810	85¼	38¾	84¼	-⅞
76⅞	56¼	Br Air	2.08	2.8	13	66	72½	71¼	72½	+⅞
90½	34½	Brit Gas	2.43	8.6	67	159	67⅛	36½	37	+1½
102⅞	75⅞	BP	2.55	2.6	17	2095	98⅞	97⅞	98⅞	+½
19	13	BP Prudhoe	1.76	12.1	8	367	15	14¾	14¾	-⅛
20¼	22⅞	BSteel	1.27	5.4	4	2616	23½	23¼	24½	+⅞
65½	52½	37	2.93	5.5	11	928	53½	52⅞	53¼	+⅛
29½	22	BkynG	1.39	4.0	14	294	34⅞	27⅞	28⅛	+⅛
33⅞	12½	BrwnGp x	1.00	7.0	470	997	14⅞	13⅞	14½	-½
12⅞	5⅞	BrunSh	0.32	3.3	15	2150	6¾	9¾	6¾	
48¾	28⅞	BrlFnd	0.99	2.8	16	827	37⅞	37⅞	37½	-⅛
40⅞	27½	BrFerr x	0.88	2.4	14	10586	28	28¼	28⅞	-⅛
4¾	6¼	BRT			11	23	4¾	4¼	4¼	
23½	18⅞	Brnswk	0.50	2.3	18	2474	27⅞	21¼	21⅞	+⅛
33⅞	14½	Brush Well x	0.40	2.3	13	333	17⅞	16⅞	17⅞	+⅛
37	35	Buckeye Pt	2.80	7.8	0	102	36½	35⅞	35¾	-⅛
14⅛	8½	Burl Cost			28	744	11	10⅞	10⅞	+⅛
84¾	70½	BurlN	1.20	1.6	14	5810	76¾	73⅞	75	-⅛
42¼	32⅞	Burlin Resc x	0.55	1.4	21	3934	38¼	38¼	38⅞	
14½	9½	Burndrm Pc x	1.00	10.5	13	786	9¾	d9½	9½	
32¾	23⅞	BushBoake			16	198	28¾	28¾	28¾	-⅛

- C -

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close	Ch'ge from Prev. Close
33⅞	19	CBI	0.48	1.5	27	8077	32½	31⅞	32⅛	+1
28⅞	22⅞	CMS En	0.88	3.3	13	1345	u29⅞	28⅞	29⅞	+⅛
13¼	6¾	CNA Fn			10	133	11¾	11⅞	11⅞	-1
74½	51¾	CPC	1.52	2.1	60	4037	71½	70½	71¼	-⅛
22¼	13¾	CPI Corp	0.50	3.2	14	298	16	17¾	17¾	-⅛
89⅞	69⅞	CSX	1.76	2.0	15	1814	85	80⅞	87¼	+1
37¾	27⅞	CTS Corp	0.60	1.6	11	34	u37¾	37⅞	37⅞	-⅛
22¼	18¾	CableWire	0.46	2.2	37	1050	20⅞	20¼	20⅞	+½
67¾	37⅞	Cabletron			27	5810	79	75⅞	78¼	+4¼
58¾	26	CabotC	0.72	1.5	11	251	49⅞	48¼	49¾	+1¼
17	12⅞	Cabot O&G	0.16	1.0

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NYSE COMPOSITE PRICES

4 pm close December 19

Continued from previous page

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
37⅞	30½	SFePPipe	3.00	8.1	11	54	37	36⅞	37	+⅛
33¾	24¼	SaraLee	0.58	2.1	19	8015	33	32⅞	33	-⅛
57¼	39⅝	SBC Cm	1.65	2.9	19	6984	57⅞	56¾	57⅞	+⅞
27	20½	Scana Corp	1.44	5.4	16	587	26⅞	26⅛	26½	+⅛
18	14½	Scecorp	1.00	5.9	10	16398	17	16¾	17	+⅛
11¼	5⅞	SchwabA	0.26	4.2	15	78	6¼	6	6¼	-⅛
50¼	37⅛	ScheringP			23	1018	44⅛	43½	44	-⅛
60⅞	35½	SchPl	1.16	2.1	20	12218	55⅞	54¾	55	-1¼
69⅞	50⅞	Schlmb	1.50	2.2	25	4268	68⅞	67⅞	68¼	+⅞
29	11¾	SchwabCh	0.16	0.9	20	17404	18⅞	17⅞	18⅝	+1¼
23⅞	20⅞	SchwMaud				2170	22⅛	21⅞	22⅛	-⅛
24⅞	11⅞	SciAtl	0.06	0.4	19	4913	14⅞	14	14⅞	+⅛
20	15⅞	Scotsman	0.10	0.6	11	21	17⅞	17⅞	17⅞	+⅛
40⅞	26⅞	Scripps	0.52	1.4	28	2005	38	37⅞	38½	+⅛
21½	13⅞	ScuddrMuF	0.02	0.1		229	15	14⅞	14⅞	+⅛
11⅞	8⅞	ScuddrNwF x	0.16	1.4		798	d11⅛	11⅛	11⅞	+⅛
20	13⅞	SeaCnB	0.70	4.1	1	12	17¼	17¼	17¼	
16⅞	14⅞	SeaCl.4625	1.46	9.4		10	15½	15⅛	15½	+⅛
54¾	23⅞	Sgate			18	10554	47⅞	44⅛	47¼	+3⅛
38½	25⅞	Seagram x	0.60	1.7	24	6328	35¾	34¾	35¾	+⅞
22½	15¼	Seagull En			67	1864	20⅞	19⅞	20⅛	+⅛
30¾	18	Sealed Air			28	1672	27¾	26¾	27	+⅞
40¾	30⅞	SearsR	0.92	2.3	10	8463	40	39	39¾	-⅞
20½	16⅞	SecCapSB	1.24	6.4	22	618	19½	19⅛	19⅞	
12⅞	10⅞	Seligm Sel x	0.84	6.6		141	12⅞	12⅞	12⅞	+⅛
38¾	17⅞	Sensormat	0.22	1.2	18	12479	18⅞	d17⅞	17⅞	-⅞
32⅛	21⅞	SequaA	0.60	2.1	13	73	29	28½	28¾	+⅛
40	23	SequaB	0.50	1.3	21	18	40	39⅞	39¾	
43¾	28¼	ServCp	0.44	1.1	24	2407	41⅞	40¾	41¼	-⅛
30⅞	21½	Shaklee	0.66	3.3	14	242	29¼	28⅞	29⅛	-⅛
7⅞	4⅞	ShldMarch			8	2148	5⅞	5¼	5¼	-⅛
67½	22½	SGSThm			35	4176	32⅞	29⅞	31⅞	+3¼
17⅞	12	Shaw Ind	0.30	1.9	17	3027	16⅛	15⅞	16	-⅛
13⅞	7⅞	Shelby W	0.28	2.3	44	11	12⅞	12¼	12⅞	+⅛
80¾	64⅛	ShellTr	2.38	3.6	18	1480	79	78	79	+⅛
40¼	32	SherW	0.64	1.6	17	1180	39½	39	39½	+⅞

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1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
20⅞	19⅞	Taiwan Fd	0.02	0.1		698	20⅛	19⅞	20	-⅛
10⅞	7⅞	TalleyInd x	0.42	5.0	34	3136	9	7⅞	8⅞	+⅞
17⅞	12½	Talley Pf x	1.00	7.0		55	14⅞	13	14⅞	+1⅞
53	37⅞	Tambrds	1.76	3.6	21	1344	48	47⅞	48	+1⅞
19¾	10	Tandem			12	5701	11⅞	11	11⅞	-⅛
44⅞	26½	Tandy	0.80	2.0	12	6690	39½	37⅞	39½	+1⅞
19½	0	Teaco Man	0.66	6.5		424	10⅛	10	10⅛	+⅛
3	1⅞	TCCInd			12	47	2¼	2¼	2¼	+⅛
26⅞	20	Teco Energ	1.06	4.2	17	818	u25⅞	24⅞	25¼	
61⅞	31⅞	Tktrnx	0.60	1.2	18	3054	50⅞	48⅞	50⅞	+1½
29¼	24⅞	TeleDe	0.92	3.7	2	4006	24⅞	24⅞	24⅞	+⅞
27⅞	19⅞	Teldyn	0.40	1.6	9	1173	24⅞	24⅛	24⅞	+⅛
44	33⅛	TeleEspSA	1.19	2.9	14	1161	40⅞	40⅞	40¾	+⅛
41½	23	Telmex	0.87	2.7	10	48274	32⅞	30⅞	32½	+1⅞
55¾	41½	Tmpind	1.20	2.8	8	1244	44	43⅞	43⅞	-⅞
22⅛	18⅞	TmplEmMk	0.10	0.5		421	18½	18⅛	18½	+⅛
7⅞	6⅞	TempltGlb	0.60	8.0		383	d7½	7⅞	7½	+⅛
7¼	6⅞	TempltGlFd x	0.30	8.6		1548	7⅞	7	7	
50⅞	41⅞	Tenneco	1.80	3.8	11	4204	47½	46⅞	47⅞	-⅛
37	25¼	Teppco Pts	2.80	7.1	11	157	36¼	36¼	36¼	-⅛
43	18	Teradyne			13	13359	23⅞	21¾	22⅞	-2¼
7⅛	3⅞	Tesoro	0.05	1.4	1	315	4⅞	4	4⅞	+⅛
14⅞	9⅞	Texas Inds	0.12	0.9	8	573	13¾	13½	13¾	+⅛
12	7¼	Tesora			8	2900	8⅞	8⅞	8¾	-⅛
80½	59¾	Texaco	3.20	4.1	77	6100	77⅞	75⅞	77¼	+⅞
55¼	30⅛	Texas Ind	0.40	0.8	8	158	52⅞	51⅞	51⅞	+⅛
83½	34½	TxInst	0.68	1.4		94207	50	47⅞	50	+3⅞
26¾	17	Texas Pac	0.40	1.6	20	18	25⅛	24¾	24¾	-⅛
40⅞	30⅞	TxUtil x	3.08	7.7	40	4082	x40⅞	39⅞	40	-⅛
3⅞	2⅞	Textl Inds	1.10	38.3	1	114	2⅞	2¾	2⅞	+⅛
77⅞	48⅞	Textrn x	1.56	2.2	13	1381	72⅞	71½	71⅞	-⅛
5⅞	3⅞	Thackeray			82	34	4⅞	4⅞	4⅞	
18	13⅞	Thai Cap	1.90	12.7		30	15⅞	15	15	
28½	19¼	Thai Fund	0.07	0.3		173	23⅞	23½	23⅞	
61½	29.21	ThermoElec	0.12	0.3	30	2074	40¼	47⅞	40¾	+1⅞
37⅞	25⅞	Thiokl	0.68	1.8	13	725	35	34⅞	34⅞	+⅛
76¾	62	ThBett x	2.24	3.2	147	678	71⅞	70¾	71	-⅞
23	13⅞	Thomas Ind	0.40	1.8	13	127	22⅛	22	22⅛	+⅛
31⅞	18½	Tidwtr	0.50	1.7	25	4028	30¼	29¼	30	+⅞

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- X - Y - Z -

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
146⅞	98½	Xerox	3.00	2.2	17	5158	138½	135¾	138⅛	+3¼
52½	42	Xtra Corp	0.64	1.5	12	279	42⅞	42¼	42¾	+⅛
25	19½	Yankee Egy x	1.26	5.1	20	80	24⅞	24½	24½	-⅛
48½	34⅞	York Int x	0.24	0.5	18	683	45⅛	44⅛	44¾	+⅛
4½	2½	Zapata	0.14	4.1	7	96	3⅞	3⅞	3⅞	
12⅛	6⅞	ZeiMgt			4	865	7⅛	7	7⅛	
24⅞	19⅞	Zenith Nat	1.00	4.9	29	156	20½	20¼	20½	-⅛
9⅞	6⅛	Zenix Inc x	0.72	11.1		161	6⅞	6½	6½	-⅛
16⅞	12⅞	Zero	0.44	2.7	18	48	16⅛	16	16⅛	
26	16⅞	Zurn Ind x	0.40	1.9	10	7241	22¾	20¼	21¼	+1½
11½	10¼	Zweig Fund	1.12	10.0		351	11⅞	11¼	11¼	
9	7⅞	Zweig Totl x	0.84	9.7		528	8⅞	8½	8⅞	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

x Dealings suspended.

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AMEX COMPOSITE PRICES

4 pm close December 19

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NASDAQ NATIONAL MARKET

4 pm close December 19

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABS Inds x	0.20	0	5	8½	8½	8½	-⅛
ACC Corp	0.12	21	496	22⅞	22	22¼	+½
Acclaim E		13	8588	11⅞	d10⅞	11⅞	+⅞
Acme Mts		8	403	15⅛	d14½	15¼	
Acxiom Cp		41	4305	27¼	25	26	-1
Adaptech		24	18446	40⅞	38	40⅛	+2⅞
ADC Tele		49	10580	38¼	33¼	38⅛	+3¼
Addington		40	294	14¼	13¾	14	+¼
AdiaADR x	0.16	9	7	20¾	20¾	20¾	
Adobe Sys	0.20	91	38083	64½	57⅞	63¼	+6½
Adv Logic		15	840	8⅞	8⅛	8⅝	-⅛
Adv Polym		10	211	5⅛	4⅞	5	-⅞
AdvTchLab		53	914	24¼	23¾	24¾	+½
Advanta	0.27	13	2250	40¾	39¼	40¼	+⅞
AgnicoEx	0.10	34	43	12⅝	12⅞	12½	
AirExpr	0.20	15	130	23	22½	23	+½
Alco ADR	1.83	8	480	55⅝	55¼	55⅝	+⅛
AldBld	0.08	24	516	24¼	23¾	24⅛	+⅛
Alex Brg	0.52	12	19	41	40¾	40¾	-1½
Allen Ph		8	2303	11½	10⅞	11¼	
AlldCapII x	1.16	18	134	19½	17¾	17⅞	+⅛
Alld Cap x	1.54	12	384	u14	13½	13⅞	+⅛
Aloette C	0.32	0	7100	2½	2½	2½	+⅛
Alta Gold	0.05	10	958	1⅞	1⅞	1¼	
Altera Co		48	19234	52⅞	48⅛	52¼	+4⅛
Am Banker	0.78	11	858	37⅛	36⅞	36⅞	
AmCityy	0.10	12	138	10⅞	10¼	10⅞	+⅛
Am Manag		27	587	26¼	26⅛	26¼	-⅛
Am Softwr	0.32	512	1786	6⅞	6⅞	6⅞	-⅛
Am Fraye		14	2258	11	10⅞	10⅞	-⅞
AmGrtA	0.64	17	6383	26⅞	26⅛	26⅞	-⅞
AmbaP		1	1037	⅞	⅞	⅞	

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Dep Gty x	1.20	12	366	48¼	47⅞	48¼	+⅛
Devcon	0.20	31	8	7½	7¼	7½	-⅞
DH Tech		18	102	22¼	21½	21½	-1⅛
Digi Intl		13	917	20⅛	18	18	-1
Dig Micro		90	616	11⅞	11½	11⅞	
Dig Sound		136	781	1⅞	1½	1⅞	
Dig Syst		18	904	12⅛	11⅞	11⅞	+⅛
Dionex Co		20	21	57¼	56½	57¼	+⅛
Dixie Yrn	0.20	8	229	4⅛	3⅞	3⅞	
DNA Plant	2.25	1	2710	⅞	6⅞	⅞	
Dollar Gn	0.20	17	606	20¼	19⅞	20⅛	-⅞
Dorch Hm	0.68	17	23	11¾	10¾	11½	+⅛
DracoEngy		11	201	17½	16⅛	16¾	-½
DressBarn		12	184	9⅞	9⅞	9⅞	+⅛
Drey GD	0.24	118	1112	32	30¼	31⅞	+1⅞
Drug Emp	0.08	15	652	3⅞	d3½	3⅞	+⅛
DS Bancor	1.00	12	240	25	23¾	24	-⅛
Durkon	0.48	18	581	24⅞	23½	23⅞	-⅛
Dynatech		27	980	16¼	15¾	16	

- E -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Eagle Fd		2	1179	1⅞	1⅞	1⅞	+⅛
EastEnvmt		12	14	1⅞	1⅞	1⅞	
ECI Tel	0.08	20	8079	26⅞	23⅛	23½	-⅛
Egghead		50	4818	7	d6⅛	6½	-½
ElectSci		22	1181	28	25½	28	+2¼
Electbell	1.44	3	392	39¾	39¼	39⅞	-1⅞
ElectArts		29	13082	23¼	23⅛	23¼	+⅛
Emcon Ass		22	122	3⅞	3⅞	3⅞	+⅛
Emulex		48	1936	12	d10½	10¾	-2

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng

- L -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Laborm	0.72	43	201	13⅞	13½	13½	-½
Ladd Furn	0.18	3	179	13⅞	13½	13½	-⅛
Lam Rsch		13	17181	51½	48	51¼	+2⅞
Lancaster x	0.80	15	1700	u37⅞	36⅞	36⅞	+⅛
Lance Inc	0.96	21	608	16⅛	16	16⅛	+⅛
LandmkGph		24	576	21⅞	21¼	21¼	-⅛
Laseoptics		27	284	19¼	18⅞	19¼	+⅛
Lasercorp		8	945	1⅞	d1⅞	1½	-⅛
Lattice S		17	6680	29⅞	28¼	29⅞	+1
Lawson Pr	0.52	14	71	25	24⅛	25	
LDI Cp x	0.18	0	10	3	2½	2½	-⅛
Lechters		19	1118	6⅛	d5½	6	+⅛
Life Tech x	0.20	18	19	20⅞	23	23	-1
Lifeline		25	47	12¼	12⅛	12⅛	-⅛
LillyIndA	0.32	12	5	12½	12½	12½	
Lincoln T	0.80	18	523	19⅞	19¼	19⅞	+⅛
LindsayMf		15	1586	38¼	37½	37⅞	+⅞
LinearTec	0.16	30	13477	39	36¼	38½	+2½
LiquiBox	0.44	15	22	29⅞	28¾	29⅞	+1
Loewen Gp	0.10	25	11124	24⅛	23⅞	23⅞	-⅞
LoneStrStk		42	6880	38½	35⅛	38¼	+3
Lone Star		18	125	9¾	9½	9½	-⅛
LTX Cp		18	18742	9⅛	8¼	9	+1
LVMH	0.62	24	67	38½	38¼	38½	+⅞

- M -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
MCI Cm	0.05	44	48331	26¾	26	26⅞	+½

[illegible]

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		18	320	23	22⅞	22⅞	+⅛
Rallys		9	780	1⅛	d1	1	-⅛
Raymond		11	33	20⅞	20¼	20½	-⅛
RCSB Fn	0.48	19	1154	22⅛	d21⅞	22	-⅞
Read-Rite		3	12108	24⅞	22¼	24	+1
Recoton		15	57	18¾	18	18¼	+⅛
Repligen		0	951	1⅛	d⅞	1	
Rep Wste		89	2933	28½	27⅞	28¼	
ResrchMed		32	771	27⅞	26⅞	27¼	+1
Resound		8	433	7½	7¼	7⅞	-⅛
Reuters	0.86	51	5078	53.02	52⅞	53	+⅛
River Fst	0.40	12	43	u25½	25⅛	25½	
Roadmstr	0.12	8	67	6⅛	d5¾	5¾	-½
Roosevelt	0.56	10	1680	18	17½	18	+⅛
Ross Str x	0.24	13	1732	18⅞	18⅞	18½	+⅛
RotechMed		18	844	27¼	25¾	26½	
RPM Inc	0.48	10	2441	16⅞	18½	18¾	+⅛
RS Fin	0.40	19	10	39¼	39¼	39¼	+⅛
Ryan Fmly		11	2676	8¾	6¾	8½	-⅞

- S -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Safeco	1.06	11	6477	36⅛	35⅛	35¾	-⅛
SalckNth		82	92	36½	36¼	36¼	-⅛
Sanderson	0.70	13	59	19¾	19½	19½	-⅛
SchmbrgA	0.34	14	3468	21½	20¾	21¼	
SCI System		10	13064	31¼	30⅛	30⅞	
Scios		4	1551	3½	3⅞	3½	+⅛

[illegible]

AMERICA

US equities volatile in early trading

Wall Street

Trading was volatile on Wall Street early yesterday in the wake of Monday's sharp sell-off as investors returned to technology shares and waited for news from Washington about the course of monetary policy and the US budget, *writes Lisa Bransten in New York*.

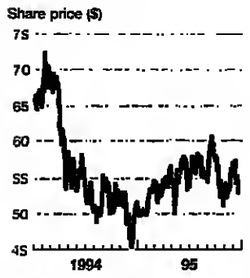
The Dow Jones Industrial Average and the Standard & Poor's 500 moved nervously through positive and negative territory.

By 1 pm the Dow was off 12.28 at 5,062.93 and the S&P had lost 0.94 at 605.87. while the American Stock Exchange composite added 0.49 at 527.93. Volume on the NYSE was heavy at 282m shares in spite of the late opening.

Uncertainty was the rule yesterday, with the FOMC meeting to consider monetary policy and President Bill Clinton set to meet with Congressional leaders at 3pm to work on a deficit-cutting budget plan.

Whirlpool

Share price ($)



Source: FT Extel

Until Monday there remained hope on Wall Street that the Fed might cut interest rates at today's meeting, but the fact that the government still had not agreed to a budget package on Monday dashed the hopes of many investors.

Meanwhile, the technology-rich Nasdaq composite staged a modest recovery after surrendering nearly 54 points in the previous three sessions.

At 1pm the Index was 7.50 stronger at 1,010.06 and the Pacific Stock Exchange technology index was 1.8 per cent better.

Hewlett-Packard was among the strongest technology issues. Shares in the computer maker added $4¼ or 5 per cent at $81¾ on the heels of a positive article in Forbes magazine and a ratings upgrade from Salomon Brothers.

Other computer firms were also firmer. IBM gained $1 at $90. Dell Computers was $3½ ahead at $33 and Gateway 2000 appreciated $1¾ to $23.

Whirlpool weakened $2 or 4 per cent to $52¼ after warning that slower sales in western Europe would burt fourth-quarter earnings. The company bad already warned that its full-year profits would be "off considerably from record 1994 levels".

Nike managed to move ahead $1¾ to $63½ after reporting second-quarter earnings late on Monday.

Profits at the shoe and clothing company rose to 80 cents a share compared with 58 cents a share in the same period last year.

Boeing moved forward $1¾ to $74¾ after announcing that it would raise production rates for its commercial aircraft starting in the fourth quarter of next year. investors viewed the announcement as a sign of the long-awaited improvement in the commercial aircraft market.

Canada

Toronto put in a positive performance in midday trade, although many investors were sidelined, awaiting news from the FOMC meeting in the US.

The TSE 300 composite index was 10.85 higher by ooon at 4,624.20 in volume of 30.2m shares.

Hummingbird Communications recouped C$4¾ of the C$6 lost on Monday to stand at C$55¾ and Softkey Software picked up C$¾ to C$35.

Mexico opens firmly

Mexico City started higher in heavy trade on the hack of a slight rebound in the US equity markets and expectations for a firm peso.

The IPC index was up 37.45 at 2,694.05. Turnover was heavy at 7.6m shares.

There were 23 gainers and just five decliners in early action. Dealers said the market faced resistance at the 2,700-point level.

Telmex L shares improved by 1.5 per cent following heavy losses in both the local market and New York on Monday.

Some financial groups were suffering light profit-taking after recent gains.

SAO PAULO was slightly weaker at the opening as many investors kept a wary eye on events in the US. The Bovespa index had lost 40.62 at 40,520 hy midsession. BUENOS AIRES was also in a bolding pattern by midday. The Merval index gained a scant 3.51 at 490.32. Traders said the sale later in the sessioo of tbe governmeot's stake in utility Edenor was also likely to feed the market's momentum.

S African industrials weaker

Johannesburg's indnstrial sbares fell broadly on the back of Wall Street's sharp setback on Monday and uncertainty over a decline in US interest rates.

The industrial index tumbled 50.0 to 7,902.9, dragging tbe all-sbare index down 43.0 to 6,197.0.

Most blue chips experienced modest declines. Murray & Roberts, the construction and engineering group, receded 75 cents to R26, Malbak, the consumer goods concern, relinquisbed 50 cents at R25.25, and Sappi, the pulp and paper producer, was off 75 cents at a 1995 low of R50.25.

The gold shares index was fairly steady, dipping only 3.7 to 1,334.4 after a marginally firmer price for hullion. Among moving issnes, Freegold, Sontb Africa's largest producer, shed 50 cents to R30, Western Areas slipped 75 cents to R61 and Harties gained 30 cents or 3.3 per cent at R9.50.

EUROPE

Polygram slides 9% on flat earnings growth

Polygram plummeted 9 per cent in AMSTERDAM as the music to films group warned that 1995 profits were likely to be unchanged. The shares shed Fl 8.30 to Fl 81.50 after the analysts began to revise down earnings projections on the gloomy news. Some hrokers said they were cutting 1996 eps forecasts to around Fl 4.60 to Fl 5.45.

The company said yesterday that it had suffered during the second half hecause of a weaker than expected performance from its pop music division, as well as the absence of a major box-office hit movie. The strong guilder also contributed.

Philips, the parent gronp, felt the shock waves and its shares slid Fl 2.00 to Fl 55.80.

PARIS was hattered by a number of corporate stories, inclnding Valeo, the manufacturer of car parts, which fell beavily on expectations that analysts were about to revise down future earnings expectations. The shares lost FFr7.20 or 3.4 per cent to FFr201.50 as the company said it was maintaining sales and profits projections which had been made earlier in the year. Valeo, expected to release 1995 sales data on January 4, reiterated tbat sales this year would exceed FFr25bn, up nearly 10 per cent from 1994 levels.

Bouygues, the construction company, was unsettled on reports that the chairman had been arrested, and the stock fell FFr14 to FFr480.

Pechiney's unhappy debut on the market continued, with the shares losing another FFr3.60 to FFr171.50, off a session's low of FFr170.50.

The CAC-40 index dipped 10.26 to 1,810.21 in turnover of some FFr4bn.

FRANKFURT, in contrast to many other markets, had a relatively quiet day's trading. The Ibis index closed at 2,241.43, after the Dax finisbed 30.57 lower at 2,235.62.

Brokers remarked that prices were underpinned late in the day by an improvement in the bond market.

Daimler climbed DM1.20 to DM717.80 after its AEG unit reported plans to sell its energy distribntion activities and automation technology division.

ZURICH continued its slide in thin trading, with further profit-taking, the weak dollar and losses on European bourses all contributing to a 33.9 loss in the SMI index at 3,217.7. BBC fell SFr17 to SFr1,303 hut Schindler, which was taking a majority stake in its Chinese joint venture, rose by SFr20 to SFr1,170.

Banks were weak with UBS falling SFr27 to SFr1,238 and SBC dropping SFr11 to SFr452.

MILAN was mixed as the market continued to watch the progress of the 1996 budget through parliament and the Comit index eased 3.83 to 578.66, while the real-time Mibtel index finished 8 higher at 9,240.

Ferruzzi returned to trade after nearly two days of suspension, jumping 7.4 per cent early in the session on hopes that the Mediobanca buy offer would go ahead. The shares subsequently settled back to finish L38 higher at L1,089.

Other blue chips were mixed. Fiat gave up L113 to L5,082 and Tim rose L8 to L2,610. Eni, the energy giant, jumped L109 to L5,446, continuing to climb above the offer price of L5,250 after an initial dip following the public offering.

HELSINKI saw renewed selling in Nokia A which took the stock to a 14 month, intra-session low and left the Hex index at its lowest level since early April.

Nokia recovered slightly in late trade, on news of a $80m Philippine GSM network order, but still finished FM17 down at FM144, having recovered from an earlier FM137. Nokia's shares have fallen some 60 per cent from the September peak.

James Capel, which continues to recommend the stock, said that it regarded the dramatic fall in the share price as "totally inconsistent with continuing strong growth at the company's core telecoms businesses".

The Hex index lost 17.11 to 1,600.59 as the market largely overlooked a reduction in the Bank of Finland's tender rate to 4.25 per cent from 4.75 per cent.

STOCKHOLM tumbled 2 per cent in heavy turnover of SKr3.7bn. The Affärsvärlden general index dipped 37.2 to 1,634.1. There was some consolation at the end of the session when Ericsson said that it stood by its 1995 profit forecast. The issue closed down SKr7 at SKr120, after a low of SKr117. Electrolux fell after Whirlpool of the US issued a profit warning, losing SKr11 to SKr264.

OSLO succumbed to a loss of 1.6 per cent. However, there was plenty of activity in Kvaerner, following news on Monday that the engineering group had been unsuccessful in its takeover bid for Ameo of the UK. The B shares dropped NKr7 to NKr199, as the Total index dropped 11.95 to 799.00, the lowest close since November 20. Turnover was NKr465.4m.

Written and edited by Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Dec 19 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1449.61	1450.15	1448.45	1446.82	1446.87	1442.90	1444.74	1450.49
FT-SE Eurotrack 200	1553.86	1552.88	1550.06	1547.60	1547.24	1546.12	1549.19	1552.29

	Dec 18	Dec 15	Dec 14	Dec 13	Dec 12
FT-SE Eurotrack 100	1465.72	1476.14	1474.46	1470.58	1476.58
FT-SE Eurotrack 200	1570.79	1580.60	1591.13	1585.51	1586.45

Base: 1000 (29/10/93); Highs/lows: 100 - 1460.78; 200 - 1554.73 Lows/lows: 100 - 1442.71 200 - 1544.81 † Partial

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Aug 1995	Sep 1995	Oct 1995	Nov 1995	US $bn
Belgium	70.60	92.22	86.46	86.04	2.70
Denmark	27.30	25.20	35.33	---	---
Finland	14.60	17.30	17.44	14.12	3.30
France	141.91	184.21	184.37	181.12	36.38
Germany	138.96	164.81	123.96	136.20	94.26
Italy	45,191	48,024	45,561	35,520	22.23
Netherlands	32.68	31.50	41.30	41.20	25.48
Norway	33.41	28.95	25.58	28.91	4.54
Spain	998.42	893.38	1,329.54	1,068.53	8.69
Sweden	123.84	137.20	136.20	111.20	16.95
Switzerland	29.56	36.68	35.57	38.24	32.59
UK	52.95	60.51	60.18	62.60	95.85

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

Following a fall in volumes during October there was little appreciable rise last month among the European equity markets. According to Mr James Cornish of NatWest Securities, who compiles the data, total domestic turnover was up a scant 0.5 per cent on the month. Looking at the year-on-year picture there was slightly more reason to be cheerful: volumes on the month are up 17 per cent on November 1994. Seaq volumes fell 3.5 per cent after a rise of nearly 9 per cent in October.

Individual features included Norway with a gain of 13 per cent, as investors turned bnyers on a number of mergers rumoured in the shipping sector. And German volumes on Seaq rose 35 per cent on the month, implying that international investors were taking a greater interest in the market.

The biggest volume loser was Italy, says Mr Cornish, where domestic turnover plunged 22 per cent on the month, following a 5 per cent decline in the index. Seaq volume in Italy increased by 34 per cent, indicating that international fund managers were becoming sellers in a big way.

ASIA PACIFIC

Sydney leads general retreat but Seoul rallies 2.7%

Tokyo

Monday's heavy fall on Wall Street unnerved investors, and the Nikkei 225 average declined for the third consecutive day on technical selling and profit-taking of high-technology stocks, *writes Emiko Terazono in Tokyo*.

The index lost 170.59 at 19,140.49 after moving between 19,077.12 and 19,242.03. Worries over US shares prompted a fall in futures prices, triggering arbitrage nnwinding. The delay over the solution for *jusen*, or housing loan companies, also eroded investor confidence.

Volume was 370m shares, against 340.7m. Overseas investors sold high-technology shares, while investment trusts also unloaded holdings. However, domestic institutions were seen bargain hunting at lower levels, preventing a large sell-off.

The Topix index of all first section stocks fell 11.54 to 1,520.12, while the Nikkei 300 sbed 2.01 to 285.79. Declines outnumbered advances by 820 to 246, with 155 issues remaining unchanged.

In London the ISE/Nikkei 50 index gained 5.02 at 1,320.38.

High-technology issues were heavily sold: Hitachi dropped Y22 to Y968 and Toshiba Y6 to Y761. NEC declined Y20 to Y1,200 on rising fears of a slowdown of personal computer sales in the US, as well as a fall in semiconductor prices. Selling by foreigners also prompted profit-taking by domestic investors, who had actively bought the sector earlier in the year.

Banks were mixed as negotiations over the *jusen* solution continued. industrial Bank of Japan dipped Y20 to Y3,100, but Bank of Tokyo gained Y10 at Y1,750. Analysts do not expect shares to rise on an eventual solution, since the use of public funds in dealing with the housing loan companies' bad loans are already factored into share prices.

Brokers, which had been bought on the rise in trading volume on the Tokyo stock market, were lower. Nomura Securities retreatad Y30 to Y7,490 and Yamaichi Securities lost Y20 to Y700.

In Osaka, the OSE average fell 170.43 to 20,588.80 in volume of 133.2m shares. Nintendo, the video game maker, gave up Y170 to Y7,770 and Rohm, the semiconductor maker, shed Y260 to Y5,530.

Roundup

The overnight drop on Wall Street was a major influence in the movement of the region's equity markets yesterday. But Seoul followed its own agenda.

SYDNEY fell sharply as investors unwound positions ahead of the expiry of December futures and caution ahead of the US FOMC meeting.

The All Ordinaries index was off 24.9 at 2,182.80 after an intra-day low of 2,172.10. Turnover came to 220.64m shares worth A$801.2m.

Leading tbe active stocks was BHP, down 20 cents at A$18.76, while CRA dipped 19 cents to A$21.32 and News Corp 10 cents to A$7.51.

The banking sector index slid 66.80 or 2 per cent to 3,220.70, with Advance Bank ending 11 cents cheaper at A$10.25, ANZ off 8 cents to A$6.22, Westpac 6 cents lower at A$5.60 and Commonwealth down 3 cents to A$10.68.

Tubemakers rose 45 cents to A$4.05 following BHP's offer for the shares in the company it does not already own.

SEOUL brought an end to its seven-day streak of steep declines to finisb on a high note, after a strong technical rebonnd and buying interest sparked by Dacom's auction. The composite stock index added 23.61 or 2.7 per cent at 890.79 in volume of 20.9m shares.

LG Semicon, an unlisted affiliate of the LG Group, bought 1.3m shares of Dacom from Korea Long-Term Credit Bank at Won280,100 per share. This sent LG shares np strongly. LG Electronics climbed Won1,500 to Won26,600 and LG climbed Won600 to Won11,300, both up the day's limit. Dacom closed limit down, falling Won7,500 to Won120,500. Korea Long-Term rose Won500 to Won23,300.

HONG KONG finished 1 per cent lower, bnt analysts suggested that the day's fall had purged the market of inflated expectations of a US rate cut following the FOMC meeting. The Hang Seng index was down 100.72 at 9,705.86 after climbing off a morning low of 9,647.74. Turnover improved but was still thin at HK$2.9bn.

HSBC topped the losers, ending HK$1.50 weaker at HK$113.50, though off the day's worst of HK$112.

WELLINGTON weakened but recovered quite strongly from the session's low. The NZSE-40 index lost a net 15.68 at 2,097.08 after falling to 2,080.07.

Fletcher Challenge was the hardest hit, falling 7 cents to NZ$3.52 but recovering from its trough of NZ$3.44. Telecom shed 5 cents to NZ$6.45.

TAIPEI was in retreat but brokers said overall sentiment remained optimistic after recent buying from brokerages and institutions.

The weighted index finished a net 30.75 down at 5,082.17 following an intra-session low of 5,048.85. Turnover amounted to T$50bn.

Electronics led the falls, following a plunge in Wall Street's high-technology issues, but brokers said the sector was also encountering a correction after its previous rises. Paper and cement shares were the only gainers.

SINGAPORE was weak, awaiting the outcome of the FOMC meeting, and the Straits Times Industrial index closed 13.20 down at 2,187.34.

HeShe Holding was again the most active stock, in volume of 12.5m shares, following news that a large investor, First Capital, was getting out of the loss-making company. HeShe shares ended unchanged at 49 cents.

KUALA LUMPUR was lower, with overseas funds unable to find compelling reasons to buy in the market, and analysts noted that the run-up in second line and second board issues seen in recent days also appeared to have run out of steam. The composite index finished 6.51 down at 977.49.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	MONDAY DECEMBER 18 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY DECEMBER 15 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (81)	189.07	-0.8	182.17	121.40	140.74	169.70	-0.7	3.94	190.51	183.58	123.03	142.96	170.86	191.66	157.95	171.00
Austria (26)	171.54	-0.5	165.29	110.15	127.69	127.61	-1.2	1.63	172.39	166.02	111.27	129.29	129.22	199.28	167.48	176.32
Belgium (34)	206.50	0.1	198.97	132.59	153.71	149.97	-0.6	3.49	206.18	198.57	133.08	154.63	150.86	206.50	165.22	166.26
Brazil (28)	132.02	-2.4	127.21	84.77	98.27	235.09	-2.4	1.87	135.33	130.34	97.35	101.50	240.93	180.75	86.06	178.98
Canada (101)	144.35	-1.3	139.08	92.66	107.45	143.79	-1.3	2.59	146.27	140.87	94.41	109.70	145.73	150.83	121.81	127.64
Denmark (33)	287.24	0.2	276.76	184.44	213.81	216.78	-0.6	1.51	286.61	276.03	184.99	214.96	218.04	295.99	236.51	238.20
Finland (25)	179.12	0.7	172.59	115.02	133.34	161.97	-0.1	1.98	177.96	171.39	114.87	133.47	162.10	276.11	171.13	175.86
France (100)	173.26	-1.4	166.94	111.25	128.97	134.10	-2.0	3.27	175.70	169.22	113.41	131.77	136.80	191.17	157.79	163.76
Germany (99)	163.53	0.2	157.57	105.01	121.73	121.73	-0.5	1.98	163.19	157.17	105.34	122.39	122.39	187.74	138.86	138.86
Hong Kong (55)	375.79	-0.4	362.08	241.29	279.73	373.17	-0.4	3.91	377.37	363.44	243.57	283.03	374.74	389.39	277.40	327.14
Ireland (16)	253.45	-0.4	244.21	162.74	188.66	224.23	-0.6	3.42	254.40	245.01	164.20	190.80	225.51	260.87	196.96	196.96
Italy (59)	71.39	-1.3	68.78	45.84	53.14	85.12	-1.2	1.72	72.30	69.63	46.66	54.22	86.19	82.71	65.45	70.78
Japan (483)	152.74	0.6	147.17	98.07	113.70	98.07	0.0	0.78	151.89	146.29	98.04	113.92	98.04	184.82	136.95	151.86
Malaysia (108)	480.73	-0.7	463.20	308.88	357.85	471.01	-0.8	1.75	484.33	466.46	312.62	363.25	474.63	581.98	398.16	464.19
Mexico (18)	971.65	-0.9	936.21	623.90	723.27	8243.85	-1.1	1.69	980.84	944.63	633.08	735.62	8337.98	1899.84	647.81	1899.84
Netherland (19)	267.62	0.2	257.87	171.84	199.22	195.85	-0.5	3.33	266.96	257.11	172.31	200.22	196.66	268.72	210.96	210.96
New Zealand (14)	77.95	0.2	75.11	50.05	58.02	63.36	0.0	4.56	77.77	74.90	50.20	58.33	63.33	85.49	69.74	71.58
Norway (33)	227.06	-0.2	219.78	145.79	169.02	195.24	-0.8	2.14	227.47	218.06	146.62	170.60	196.72	243.79	202.33	202.33
Singapore (44)	396.43	-0.7	381.97	254.55	295.10	256.28	-0.9	1.57	399.32	384.56	257.74	299.49	260.86	414.26	313.94	364.05
South Africa (45)	387.39	0.7	373.26	248.74	288.36	310.24	0.6	3.82	384.72	370.52	248.32	288.54	308.27	392.04	281.06	326.70
Spain (38)	181.38	0.8	155.50	103.62	120.13	149.23	-0.1	4.02	160.42	154.49	103.54	120.31	149.45	161.38	124.10	137.85
Sweden (47)	300.62	-0.8	289.66	193.03	223.78	294.26	-1.0	2.04	303.18	291.99	195.69	227.39	297.11	321.99	226.78	226.17
Switzerland (40)	232.27	0.1	223.60	149.14	172.90	165.64	-1.1	1.81	232.04	223.47	148.77	174.02	167.40	232.27	160.28	160.93
Thailand (46)	163.95	-0.6	157.98	105.28	122.05	160.07	-0.6	2.54	164.85	158.67	106.47	123.72	161.08	184.55	130.15	154.02
United Kingdom (206)	222.93	-1.2	214.80	143.15	165.95	214.80	-1.1	4.09	225.61	217.28	145.62	169.21	217.28	228.33	191.29	191.29
USA (638)	246.90	-1.6	237.69	158.53	183.78	246.90	-1.6	2.27	250.98	241.71	161.99	188.23	250.98	253.50	187.05	187.73
Americas (785)	224.82	-1.6	216.62	144.36	167.35	189.03	-1.8	2.27	228.52	220.08	147.50	171.39	192.14	230.76	173.81	175.19
Europe (735)	195.96	-0.6	188.81	125.83	145.87	166.54	-1.0	3.07	197.15	189.87	127.25	147.86	168.27	199.02	165.85	165.85
Nordic (138)	267.55	-0.4	257.79	171.79	199.16	226.32	-0.6	1.95	268.58	258.66	173.35	201.43	228.04	295.02	216.60	217.34
Pacific Basin (831)	162.77	0.3	156.84	104.52	121.17	108.35	-0.1	1.21	162.20	156.22	104.70	121.65	108.44	171.87	145.93	159.55
Euro-Pacific (1566)	176.48	-0.1	170.06	113.33	131.38	130.45	-0.5	2.07	176.66	170.14	114.03	132.49	131.13	178.33	154.73	162.07
North America (739)	240.57	-1.6	231.79	154.47	179.07	239.99	-1.8	2.28	244.52	235.50	157.83	183.39	243.94	246.83	183.41	184.01
Europe Ex. UK (529)	178.90	-0.3	170.45	113.59	131.68	140.09	-1.0	2.50	177.39	170.85	114.50	133.04	141.45	178.45	148.07	148.26
Pacific Ex. Japan (348)	259.70	-0.6	250.23	166.75	193.32	229.19	-0.5	3.23	261.29	251.64	168.65	195.97	230.58	266.72	211.19	235.96
World Ex. US (1756)	177.37	-0.1	170.90	113.89	132.03	134.16	-0.5	2.12	177.60	171.04	114.63	133.20	134.87	178.73	155.42	163.86
World Ex. UK (2190)	196.18	-0.7	189.00	125.95	146.01	161.85	-1.0	1.99	187.56	180.28	127.53	148.18	163.46	198.37	163.46	168.75
World Ex. Japan (1913)	224.52	-1.2	216.34	144.17	167.13	210.26	-1.3	2.63	227.19	218.81	146.64	170.39	213.07	228.28	181.60	182.81
The World Index (2396)	198.54	-0.8	191.30	127.48	147.79	166.58	-1.0	2.18	200.06	192.87	129.13	150.04	168.26	200.90	165.92	170.74

CONSTITUENT CHANGES WITH EFFECT 29/12/95: Additions: ITT Corp. (new) (USA) (Medium-Small Cap Index), ITT Hartford Group (USA) (Medium-Small Cap Index) and ITT Industries (USA) (Medium-Small Cap Index). Deletion: ITT Corp. (old) (USA). NAME CHANGE: Vard now NLC (Norway). Latest prices were unavailable for this edition.

SLOVAKIA

Infighting obscures economic progress

Slovakia is enjoying the second fastest economic growth in eastern Europe. But the feuding of its politicians is winning bigger headlines, write Vincent Boland and Kevin Done

Slovakia is in a strange mood as it approaches the third anniversary of its independence.

On the one hand its economy is set to grow by 7 per cent this year, the second-fastest east Europaan aconomy after Albania. Year-on-year inflation was 7.6 per cent in November, down from 11.8 per cent in 1994. Current account convertibility was achieved on October 1. The currency is strong, backed by foreign exchange reserves of over $3bn.

On the other hand, the country is going through a damaging period of political tension. A power struggle between president Michal Kovac and prime minister Vladimir Meciar grows more bitter by the day with no sign of a resolution. Government officials complain that international attention focuses on the country'a political battles rather than its creditable economic performance.

This is partly due, however, to the theatrical nature of Slovak politics, whose practitioners think nothing of going on television and attacking opponents in lurid terms. It also reflects the government's failure to sell its economic achievements coherently.

Mr Meciar's government is a coalition of populists and nationalists that took office a year ago. The prime minister's Movement for a Democratic Slovakia (HZDS), which dominates the coalition, draws support from industrialists and factory workers, bankers and farmers, and provides the populist heart of the administration.

The HZDS is joined on the left by tha Alliance of Slovak Workers, economic hardliners who do not like privatisation but whose representatives still control the privatisation ministry and the state holding company.

On the right is the Slovak National Party (SNS), which espouses hardline nationalism and regards Slovakia's 567,000-strong ethnic Hungarian minority in a way that borders on racism.

After some months of uncertainty, the government's economic policies are clear. Privatisation has been switched to a policy that favours domestic – and often HZDS – interests, and is progressing rapidly. A prudent fiscal policy common to the three governments that have ruled since independence on January 1, 1993 has been encouraged by tbe National Bank of Slovakia and the International Monetary Fund.

It has ensured that the budget deficit has fallen from 12.5 per cent of gross domestic product in 1992 to 1.4 per cent last year. This year's deficit should be similar, with social spending under tight rein and subsidies phased out.

Economic reforms are already bearing fruit, with 65 per cent of GDP now generated by the private sector, according to official estimates.

More divisive are Mr Meciar's political agenda and foreign policy. He earned kudos in March when he agreed a bilateral treaty with Hungary that fixes their common border and grants substantial rights to ethnic Hungarians, who make up 10.8 per cent of the population. But he has failed to get the SNS to back it, and its ratification is not likely before next year.

Last month a law making Slovak the official language and potentially restricting the rigbt to use otbers was approved by parliament. Mr Meciar has promised to introduce legislation early next year to strengthen minority language rights, which are currently enshrined in the constitution, to stem Hungarian anger. Some clauses of the new law may be tested in the Constitutional Court, whicb is beginning to assert its independence from the government, providing a counterweight to political power.

In the interregnum between administrations late last year the new government grabbed control of state radio and television. It has also intimidated newspapers, many of which are openly hostile to Mr Meciar bnt wield little influence. Institutions including tha state holding company, the anti-monopoly office, the secret service and the army are also now under government control.

There is one institution, however, that Mr Meciar has been unable to take – the presidency. Successive attempts to force Mr Kovac from office have exposed the limits of the prime minister's power and made the president into a veritable hero of democracy.

Tba constitution sets ont clearly the roles of both president and prime minister. The former is largely symbolic. Mr Meciar would like to control it, nonetheless, either by taking the office himself or by putting in somebody he could manage.

On August 31, tha president's son, Michal Kovac Jr, was kidnapped outside his Bratislava bome and dumped in Austria by unknown assailants. German police want to interview him in connection with an alleged business fraud in which both he and his father strongly deny he is involved. The secret service, headed by Ivan Lexa, one of president Kovac's fiercest critics, is widaly suspected of being behind tha incident, which is seen as the latest attempt to discredit the president.

Developments such as these have damaged Slovakia's image. The European Union, which Mr Meciar says he wants to join, expressed serious concern in October at political developments, for the second time in less than a year. The US did likewise, and tha European Parliament issued a harsh rebuke. German Chancellor Helmut Kohl has made clear this month his belief that Slovakia does not belong to the front runners from central Europe - namely tha Czech Republic, Poland and Hungary - for early membership of the EU.

Mr Meciar reacts defensively to these demarches. He blames foreign governments for talking only to the opposition, among which he numbers Mr Kovac. Yet diplomats and opposition figures complain tha government maintains only a half-hearted dialogue with western Europe. Mr Meciar's conflicting signals on aspiring to the European mainstream while failing to develop the means to achieve it have cost him friends abroad.

Ha is known to be angry at not being invited to make official visits abroad. He has not been to Bonn, Paris or London on a prime ministerial visit. The EU says Mr Meciar must first prove himself a democrat. "Invitations will come at the end of the democratic process," says a western diplomat in Bratislava.

Slovaks see a double standard here. They argue that the democratic process in, say, the Czech Republic or Hungary is not complete, yet the prime ministers of those countries are fêted abroad. But, counters the diplomat, "there are special circumstances in Slovakia".

Chief among these is the government's unwillingness to tolerate dissent. Parliamentary opposition is weak and effectively powerless. The government accuses it of being unpatriotic. Control of TV means only official views are aired. Many sensitive jobs are politicised, with loyalty to the government prized over an ability to do the task.

Comparisons with tha icy pragmatism of tha Czech Republic, though inevitable, may be unfair. When the two countries split, Slovakia, having just emerged from communism, ended centuries of domination but inherited severe economic problems.

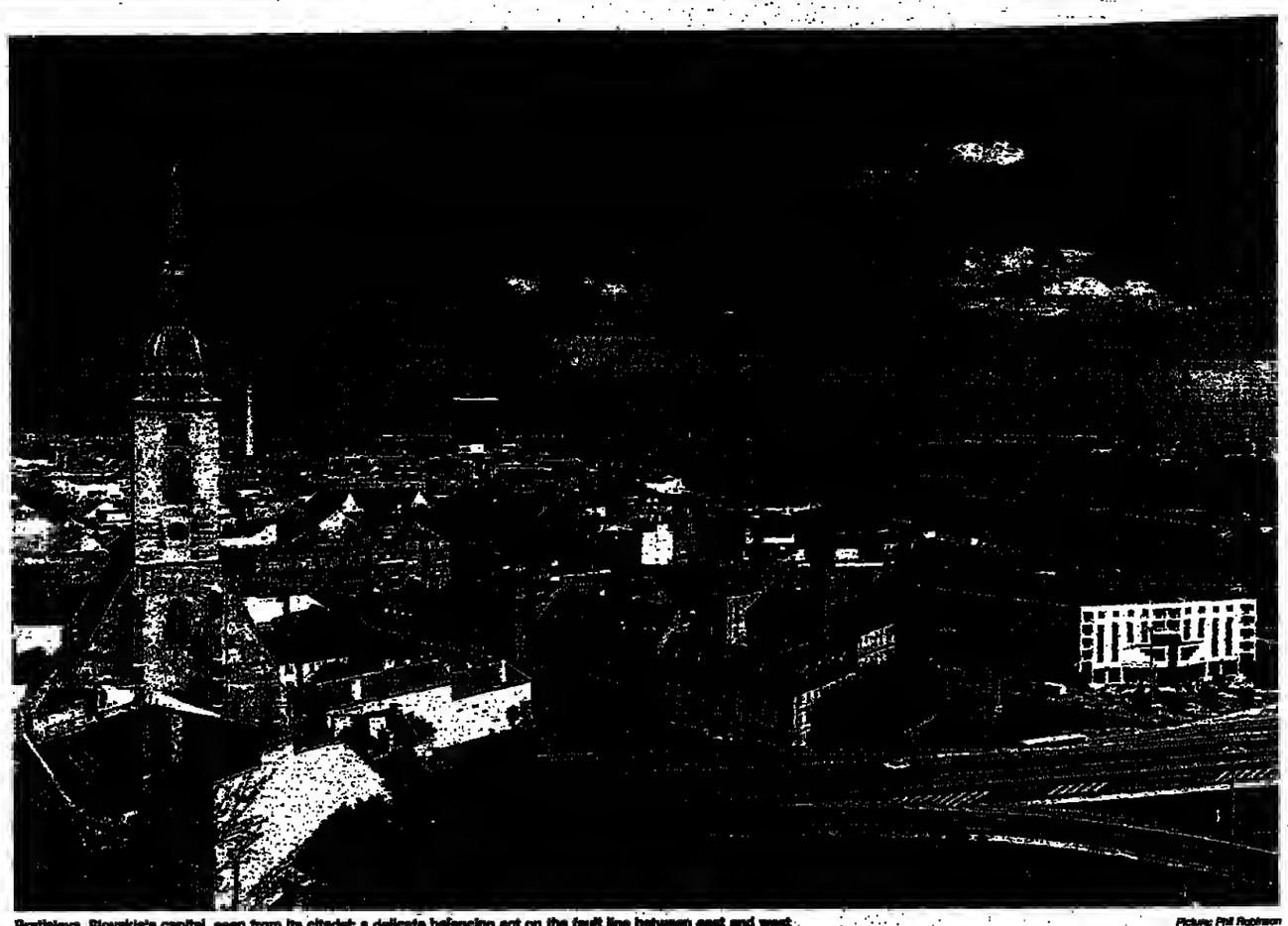
It is small, with a population of 5.3m, essentially rural – although it also inherited much of the former Czechoslovak arms industry, which now faces a daunting task to restructure – and it can be narrowminded and suspicious. It has a chip on its shoulder about a larger neighbour and an alienated minority that does not feel at home. It is also resentful of the scepticism that greeted its creation.

The resentment is understandable but may now be counterproductive. Economic achievements aside, Slovaks have created a state out of very little. There are free elections, a fundamentally strong constitution, an independent central bank and an independent judiciary. "Wa underestimated the Slovaks," notes Jaromir Cekota of the European Bank for Reconstruction and Development in Bratislava.

Political tensions are not reflected widely among the population. Much of it wants an end to the political battle. Slovaks and Hungarians live peaceably together. They have other concerns. Unemployment is 12.8 per cent, though it has been higher. Economic gains are not widely spread. Life is still tough.

"Slovaks are easy to govern," says Eduard Kukan, foreign minister in the last government. "They are happy with the little they have and even if you cut it a little they will be a little less happy but still happy."

Independence evantually brings self-confidence, and economic prosperity should bring political maturity. The danger is that it could fall too far behind in the race to join western structures. Staying in this race will be the ultimate test of Slovakia's independence.



Bratislava, Slovakia's capital, seen from its citadel: a delicate balancing act on the fault line between east and west

Picture: Phil Robinson

■ **Politics and personalities:** by Kevin Done

Prime Minister at war with his President

In the short space of five and a half years Mr Vladimir Meciar, the Slovak prime minister, has already led three administrations. Twice he has been swept from office by party splits or parliamentary manoeuvres, only to return several months later victorious at the polls.

In the last election 15 months ago his Movement for a Democratic Slovakia captured 35 per cent of the votes, more than his three closest rivals together.

Mr Meciar, an unashamed populist, has proved the strength of his support, but he remains a highly controversial figure with a reputation for riding roughshod over both allies and opponents.

With support drawn from the far right and the far left of Slovak politics in the shape of the Slovak National Party and tha Slovak Workers Association, he has secured a firm majority for his coalition government. In the 150-member parliament he faces a fragmented opposition with no other single party having gained more than 10 per cent of the votes at the last election.

Mr Meciar's drive to consolidate his power has not gone unchecked, however. Several of his actions have been challenged by the Constitutional Court and he has drawn harsh criticism from foreign governments with two complaints from the European Union in less than 12 months, one from the US government, and a highly critical resolution from the European Parliament.

The most crucial power battle is being waged by Mr Meciar against Slovak President Michal Kovac, who was elected for a five-year term by parliament in February 1993.

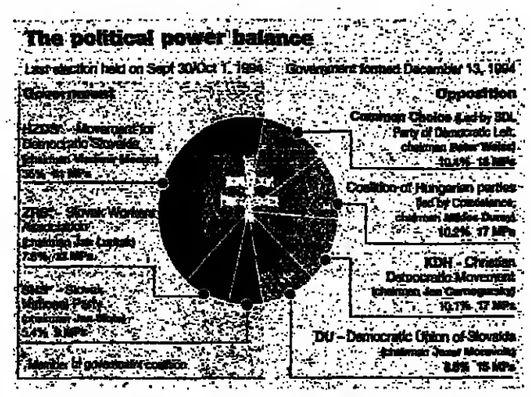
The animosity between President and Prime Minister is poisoning Slovak politics, and neither man shows any sign of backing away from the conflict.

The pair were formerly allies in the Movement for a Democratic Slovakia party (HZDS) led by Mr Meciar, which dominates the present coalition, but they are now locked in damaging confrontation.

Mr Meciar, 53, once a leading official in the Czechoslovak communist youth movement, was expelled in 1969 and worked as a smelter in a heavy engineering works in the early 1970s. He later became a company lawyer before rising to prominence in the Public Against Violence movement in the wake of the Velvet Revolution of late 1989.

In January 1990 he became Slovak Minister of the Interior, and then Prime Minister following the first free elections of June 1990.

Mr Kovac, 65, spent his carear in hanking at the



Czechoslovak State Bank including spells lecturing in Cuba in 1965-68 and as deputy director of the Trade Bank in London from 1967-70. Excluded from the Communist Party in 1970, he was relegated to be a bank clerk in Bratislava, and in the 1980s was a part-time researcher at the Finance and Credit Research Institute.

He was appointed to the office of the Minister of Finance in Slovakia after the revolution, and became an MP in the federal parliament in Prague in tha 1990 elections. He was the last chairman of the federal parliament in the second half of 1992.

It is these two men who are now playing the crucial roles in deciding the future course of democracy in Slovakia and the nature of its institutions.

They were instrumental together in helping the country's peaceful move to independence three years ago, but Mr Meciar has since been clearly discomfited by Mr Kovac's avowed determination to mould the presidency into an institution independent of both the government of the day and Mr Meciar's HZDS.

The president was instrumental in ousting Mr Meciar's first post-independence government in March 1994 amid charges of corruption in the privatisation process.

Since becoming prime minister again last December, Mr Meciar has tried to get rid of Mr Kovac, so that ha can install himself at the helm of a presidential government. He cannot do this without changing the constitution, however, for which he needs a three-fifths qualified majority of 90 out of parliament's 150 votes.

His government has 82 seats and appears unlikely to get the extra eight it needs to carry out the change. Mr Kovac has weathered a parliamentary vote of no confidence. Now Mr Meciar is toying with the idea of holding a referendum on the presidency, but such a move is risky.

The battle between the two men took the most bizarre turn at the end of August, when the president's son – also named Michal Kovac but now known universally as Kovac Junior – was kidnapped and abducted to Austria.

Mr Kovac Jnr, a 34-year-old businessman, was taken from his home, beaten up, forced to drink bottles of spirits, and dumped in the boot of a car outside a police station in neighbouring Austria. The police were alerted by an anonymous phone call.

At least that is one version. Mr Meciar insists that this is still only "an alleged kidnapping". President Kovac insists it was the work of the Slovak Intelligence Service.

In Austria, Mr Kovac Jnr was arrested under a warrant issued late last year at the behest of a prosecutor in Munich, who was investigating frandulent business deals between German and Slovak companies.

Amid such turmoil doubts have emerged as to whether Mr Meciar can create a modern democratic state ready to enter an enlarged European Union by the end of the decade, and western governments have voiced clear concerns – at the risk of being charged with meddling in Slovakia's internal affairs.

President Kovac and Prime Minister Meciar air their differences in interviews conducted by Kevin Done and Vincent Boland

Kovac: my fears

QUESTION: The respective powers of the President and the Prime Minister under the constitution appear quite clear. Why is this battle going on between the two of you?

ANSWER: In the course of several discussions with the Prime Minister it emerged that he does not like the President to be another power centre. I say the office of the President does not represent any other political centre. Bnt I understand the function of the President to be an active one.

The real reason for the conflict is that the President is taking a critical approach to some of the actions of Mr Meciar's government.

I would be very happy if we were of the same opinion on how a government should function under the constitution in a democratic state. Bnt I think there is a different understanding of what is democracy.

The most ohvious example is what happened during the parliamentary sessions of November 3-4 last year.

I believe that many things happened, which were in conflict with standard democratic principles and were also in conflict with the constitution.

What were your main concerns?

Until then the principle that had been adopted in parliament was one of proportional representation. That meant that the opposition also had the possibility of providing one of the deputy speakers and also some chairmen and depnty chairmen of parliamentary committees.

But this basic principle was not followed that night. For example, the OKO committee, the special hody which controls the secret service – its members were only drawn from the government coalition, and this is still the case today.

Or take the state radio and television councils – they only have members proposed by the government coalition. They also appointed new directors for television and radio. The result is that television is fully controlled by the government.

You were once a close ally of Mr Meciar. What has happened to undermine the relationship that yon had with him previously?

We had good personal relations, but it was never a relationship of friends. At the time I was convinced that we shared the same idea of what democracy is and the same idea about the role of ethics in politics. And I was convinced that Mr Meciar would try to gather around him people who are very ahle, morally clean and highly professional.

The situation has developed differently, and the mutual trust has been undermined.

Is the Prime Minister now undermining the office of the President?

Yes, very much. In the budget for 1995 we were given much less than in 1994, and I was forced to release 35 people from my office (cutting my staff) from 95 to 60. At the same time we were not given the money to finish the reconstruction of the future seat of the President, the Grassalkovich Palace. The premises we are in now belong to the city of Bratislava, to the mayor, and we are just tenants here.

In the draft hudget for next year they are going to cut our money again, and if it is approved by parliament like this, we will be forced to release another 10 people.

Members of the government try not to meet the President. The coalition MPs behave in the sama way.

In what ways do you feel that the Prime Minister is abusing the constitution?

He has proposed several laws, five or six, which were adopted by parliament, hut when these laws were later presented to the constitntional court, in almost all cases the court found that they were unconstitutional.

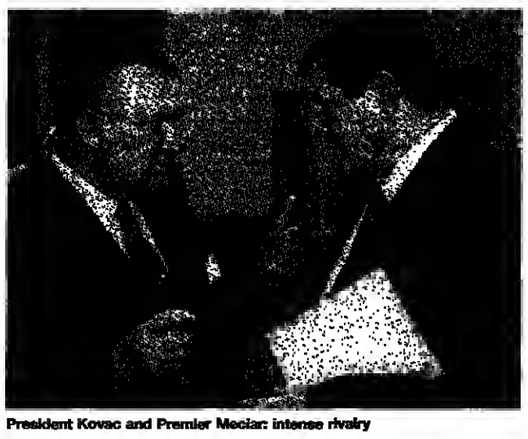
It ia also known that the Prime Minister has been criticising the constitutional court's decisions. In one of his statements he said the constitutional court was "a sick element on our political stage".

Could we move to the kidnapping of your son. Who do you believe was behind this act?

I am of the same opinion as the largest part of our society. There are really many direct and indirect indications that prove that the kidnapping of my son to Austria was organised hy the Slovak security service.

As you know the investigation is still going on, and during this investigation there have heen several very odd interferences. It showed that there was an attempt not to find the real criminals, those who did it.

I am worried in particular about one thing. Any citizen of the Slovak republic has rights in tha case of such kidnapping by force to a foreign country.


President Kovac and Premier Meciar: intense rivalry

The Slovak government has still not asked the Austrian authorities to return this kidnapped citizen back home.

Why do you think it has not done so?

The government says officially that there is an international warrant issued for my son. If he should he charged or accused of some criminal activity st home, then it would immediately ask for the return of this kind of citizen, hut because my son is suspected of some criminal activities in Germany the government does not see any reason why it should demand his return.

The Prime Minister is always stressing that it is still not clear whether he was really forcibly kidnapped to Austria or whether he was kidnapped voluntarily hy some group of people.

What is actually happening with your son now? Will he go to Germany to give evidence to the prosecutors there, or is he waiting to be extradited?

We are trying to make it possible for my son to give evidence and testify in front of the German prosecutor. If they find that this is impossible to organise in Austria, my son is ready to go and testify.

Do you think yon have aligned the office of the President too closely with the fate of your son?

I didn't do that. My political opponeots have done that: I always claimed that I am not responsible for my son's deeds. And if my son really committed some criminal act, he must be sentenced and punished like any other citizen. But when I see that somebody is misusing this affair as a means of political struggle against the President, I cannot be silent.

We see that my political opponents need this case to be always alive. It does not matter whether or not my son is guilty or how his family suffers. The important thing for them is that this is the case hy which they can discredit Presideot Michal Kovac.

Given the pressures thet have been applied have you ever considered resigning?

No. Just the opposite. Everything that has happened has convinced me that I must not resign, and that I am obliged to defend clean politics, democracy, the constitution and the law against attempts to undermine them.

How do you think this battle can be resolved?

There are many ways, hnt they are mostly in the hands of the Prime Minister and the MPs of the government coalition.

The government coalition must stop taking steps that damage the image of Slovakia abroad. It must allow the opposition to have a role in the control of executive power. The public media, television and radio, must be under the control of a wider political and social spectrum. They must get away from the influence of the government coalition. But I have no demands for this or that person to resign.

Of course I have the right to express publicly my opinions, when I am concerned that our democratic system has been damaged or that rules are being adopted which are in contradiction with the constitotion, especially wheo freedom of opinioo and freedom of expression are threatened.

Today we find that more and more people are afraid to express their opinions publicly, because they fear thair existence will be threatened, that they could could lose their jobs. I cannot close my eyes and ears to that.

Meciar: who rules?

QUESTION: What issues lie behind the battle between you and President Kovac?

ANSWER: It was parliament that first voiced no confidence in the president. Followed by the government, by the heads of all the central government agencies and the chiefs of district offices. This process of voicing no confidence in the president continues.

I believe that tha shortcomings are to be sought not in the contents of the constitution hut rather in violations of the constitution. The President is not impartial and he has taken on the role of leader of the opposition. He speaks openly of his ambition to reshuffle the government and has even shown a personal wish or ambition to determine the contents of policy.

The President rejects and turns his back on communication with parliament and with the government. At the same time he keeps disclosing abroad all kinds of information and not all of them are true. They are untrue.

Moreover parliament has obtained evidence of how he ahused his powers, when we were in opposition. A link was revealed between the President and the Slovak intelligence service, the SIS.

The President has also accused the government in public of criminal activity. The whole government was accused by him. Although he had no concrete piece of evidence to support this statement. By doing so, he has cast doubt upon the entire democratic system in Slovakia.

What does Slovakia need in fact?

It should be a person with a clear record, an unimpeachable person, who has high morals. That'a what Slovakia needs.

The President has stopped being the guarantor of democratic development in Slovakia as far as the government is concerned. That's the way the government perceives him.

There has been a lot of speculation about the way in which the President's son was kidnapped and taken to Austria. Was the intelligence service behind that action?

First, it has not been proven that he was abducted. We do not have the evidence.

There was an action of the SIS going on at the same time (as the alleged kidnapping), bnt that had nothing to do with Kovac junior (the President's son). This was an action conducted against a person suspected of smuggling weapons and suspected of various frauds. Kovac junior was in direct contact with this suspect.

In other words this was a parallel event linked with Kovac junior and some of the facts were more or less transferred from one case to another. The investigation is still going on, it has not been finalised and for that reason it's premature to make any final conclusions from the investigation.

The director of the SIS has given written testimony that ha was not involved in the sbduction.

Why were the police officers investigating the kidnapping changed three times?

That is not quite tha right formulation. There was s team of investigators assigned to the case. After visits to President Kovac one of the investigators claimed that he would become a general. He became negligent. He did not fulfil his professional duties.

He tried to compel the prosecutor to take similar action. He tried to convince the prosecutor that the current government would be toppled in a few days. And that they would achieve their goals and be promoted.

And shortly after that he filed his request to be released from the police service and then started investigating on his own behalf. So let me reiterate the fact that he was not the head of the investigation, he was one of the staff.

So a decision was then made to dissolve this group of investigators and have it replaced by another team. The head of this team paid a visit to the president. After this visit several officers involved in the investigation called on the SIS staff. And nine people of the SIS were persuaded to say that if they testified that the SIS was behind the abduction they would be rewarded for that and would be promoted.

The prosecutor in charge of the oversight of the whole case did further investigation. And this investigation has not been completed yet.

For the very reasons I have mentioned the prosecutor has decided again to hand the whole case to a new group or team of investigators. The investigation is still underway. The chief investigator has made a public statement that he has not been brainwashed nor has any pressure heen exerted upon him to state certain ideas or things.

We have heard that civil servants are being asked to sign statements that they feel that the President is acting against the toterests of the country. Is that true?

No. I haven't heard this piece of information. As far as I know all those who have made statements have made them of their own free will.

This issue may be resolved by inviting a referendum on tha President. I believe that Slovak society is very sensitive to all issues related to justice.

Do you intend to hold a referendum on the question of the President?

This is an issue to be resolved by parliament. We have to take into consideration the demarches that have been sent to Slovakia. To date no political decision has been made on whether to hold a referendum. I believe that a referendum would be one democratic option for resolving this issue.

The demarches were very critical of the battles between you and the government and the President. Do you intend to change your policies towards the President?

Every policy step taken is measured by the achievement, by the result.

Let me pose some questions: Do the ones who sent the demarches take over responsibility for internal developments in Slovakia? Do you think it fair on the one hand to send demarches and on the other to fail to listen to the other party?

We have signed an association agreement with the European Union, and in it are stipulated the commitments made hy Slovakia, and also stipulated is the procedure that should be resorted to in the event that conflicts emerge. I believe that this agreement has been breached.

It really does not give a very good impression if the European Parliament adopts a resolution and threatens us with sanctions, and then, two weeks *after* sending the demarches, the MPs of the European Parliament come to investigate what is actually going on.

Wa want the public to support the concapt of Slovakia becoming a member of the European Union. It is not only the EU countries that will vote their opinion on whether Slovakia should become a member of the EU, however. It is also the people of this country that must decide. In this respect the actions taken are counter-productive.

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■ **Foreign policy:** by Vincent Boland

Cool front in the west

While ties with Moscow are warming, links with Brussels are strained

Slovakia's internal political tension is hurting its image abroad. The government's attacks on President Michal Kovac and the controversy of his son's kidnapping have drawn strong criticism. A bilateral treaty with Hungary, signed in March, has not been ratified.

The conduct of foreign policy appears to be hostage to the whims of the prime minister, Vladimir Meciar, and to hardliners within his administration.

The government has alienated many in the west. The European Union issued a sharp rebuke in October, the second time it has done so in less than a year. The US did likewise. The European parliament came out with a strongly-worded statement shortly afterwards, citing Mr Meciar personally.

Germany has been angered in a minor but deadlocked dispute over its official name in the Slovak language. It accuses Slovakia of reverting to Cold War terminology by referring to it as the German Federal Republic rather than the Federal Republic of Germany.

The government says the issue is linguistic and is keen to resolve it while respecting the integrity of the Slovak language. Until the row is settled, Germany says no new bilateral treaties will be negotiated.

Hungary is annoyed that Slovak ratification of the treaty, which Budapest ratified shortly after it was signed in Paris, has been held up by Mr Meciar's failure to get his coalition partner, the Slovak National Party (SNS), to support it.

A law approved by the Slovak parliament in November, giving official status to the Slovak language and potentially threatening the status of minority tongues, has added to tensions at a delicate time. The government has promised to introduce legislation early in 1996 to strengthen the status of other languages, of which the most important is Hungarian.

What particularly exercises the government is that Mr Kovac has become the focus of foreign attention while Mr Meciar is snubbed. The prime minister is especially suspicious of Britain and Germany, which he accuses of masterminding the latest EU demarche. He is now increasingly hostile to EU diplomats in Bratislava, often refusing to receive them while complaining that he is not invited on official visits abroad.

The diplomats, however, insist the demarche was the collective view of the 15 EU member states and that Brussels is not taking sides. "The EU has been careful to say it is not backing an individual, but backing a process," says one.

The government reacted defensively to the EU and US criticism, and with fury to the European parliament's declaration, which was issued before a visit to Bratislava by a delegation of MEPs. They were greeted frostily and assailed by Mr Meciar for having prejudged Slovakia. Nevertheless he acknowledged that the meeting could lead to "a period of reflection".

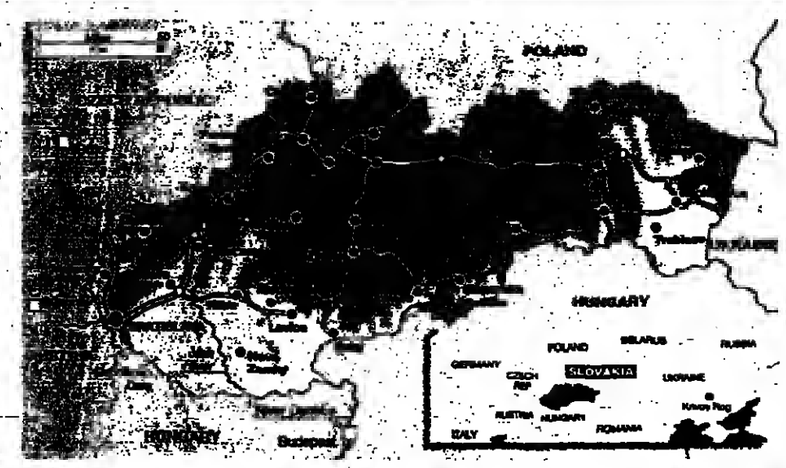
Slovakia applied earlier this year to join the EU. It has failed, however, to get a sponsor in Brussels to push its case, and could be isolated by Germany's move at the Madrid EU summit last week to draw a line across Europe that would place Poland, Hungary and the Czech Republic first among aspiring members.

This would leave the Slovaks in limbo. Fears that such a policy could become official lie behind a rapprochement of sorts between Bratislava and Moscow. Mr Meciar has spoken often, though somewhat fancifully, of Slovakia as a bridge between Russia and the EU.

He has visited Moscow twice this year and Viktor Chernomyrdin, his Russian counterpart, has been to Bratislava. Earlier this year Slovakia ended visa requirements for Russian visitors, irritating the Czech government.

A prime motivation for renewing ties with Russia is business. Slovakia is entirely dependent on Russian oil and gas and its economy remains fairly closely tied to the market there. Commentators point out, too, that Mr Meciar, who speaks Russian, is more comfortable in Moscow than with western leaders.

Eduard Kukan, an opposition member of parliament and foreign minister in the interim government, says it would be wrong to jump to conclusions about Slovakia's ties to Russia. Nevertheless, he believes Mr Meciar needs to spell out what it is. "He should tell Russia that Slovakia wants to join Nato and the EU, which I don't think he has done. I think we should say it very unequivocally," Mr Kukan says.



One relationship that remains vital for Slovakia is with the Czech Republic, its biggest trading partner. There is little sign of a "special relationship" since the two countries split on January 1, 1993, mainly because Prague did not want one. This dismays many Slovaks, whose emotional ties to the former Czechoslovakia were stronger than those of the somewhat unemotional Czechs.

Mr Meciar and Vaclav Klaus, the Czech prime minister, worked well during negotiations on the split. Mr Klaus even went so far as to describe last year's interim Slovak government, which took office when Mr Meciar was temporarily ousted, as "illegitimate".

Yet the two countries' mutual border is now indistinguishable from many other frontiers – heavily patrolled and with long queues of lorries on both sides awaiting customs clearance. This, the Slovaks say, is at the insistence of the Czechs. They complain that it is now easier to enter Austria than Moravia.

Juraj Schenk, foreign minister, says the only difference between Slovakia and its three post-communist central European neighbours "is that our problems are more visible". There is some truth in that, but it also makes overcoming them harder if Slovakia is to achieve its stated goal of integration with the west.

■ **Economy:** by Kevin Done

Healthy capital flow

Speed of growth has confounded the sceptics, but foreign investors remain wary

The economy has developed with a robust and surprising confidence during Slovakia's first three years of independence.

While the political battles being waged in Bratislava still largely shape Slovakia's international image, they have not yet undermined its fundamental economic progress.

The recent performance in economic growth, foreign trade surpluses, falling inflation and rising foreign exchange reserves, bears comparison with any of the transition economies of central and eastern Europe.

Cautious fiscal and monetary policies have helped to create a degree of macro-economic stability that has confounded the pessimistic forecasts made for Slovakia, when it separated from the Czech Republic at the end of 1992.

There are still concerns about the long-term impact of the current domestic political upheaval, however, with the flow of foreign direct investment hit hard in the first half of the year.

The latest monthly report from ING Barings Securities, the Dutch financial group, claims that "investors in Bratislava and abroad remain nervous about Prime Minister Meciar's apparent willingness to use the apparatus of the state to further his own aims and those of his political allies".

Despite such worries some leading foreign concerns already established in the country are continuing to invest strongly.

Volkswagen of Germany, the biggest European carmaker and the leading industrial investor in Slovakia, is rapidly expanding its operations as part of its effort to develop plants in east Europe to offset its high cost structure in Germany.

Volkswagen Bratislava, its Slovak subsidiary, has more than doubled car production to 20,000 this year from 8,900 in 1994 and 3,000 in 1993. Car output is planned to rise by a further 50 per cent to 30,000 in 1996.

VW is also developing the Bratislava plant for the assembly of gearboxes and the machining of some gearbox components in order to lower the costs of the main German gearbox plant at Kassel.

The workforce is growing rapidly as a result of the transfer of operations from Germany and has increased from 817 a year ago to 1,950 by the end of this year.

The German group is expanding in Slovakia to take advantage of the very low wage costs and the availability of a highly skilled workforce.

It has been able to take advantage of the restructuring of the Slovak arms industry, one of the big centres for weapons production in the former East Bloc and previously a dominant element in the Slovak economy, by attracting more than 300 skilled workers from former armaments factories.

Prime Minister Vladimir Meciar says that the restructuring of the arms industry was one of the biggest economic challenges facing the newly independent Slovakia. Figures from the Economy Ministry show that the workforce in the heavy engineering industry has been halved from 300,000 in 1989/90 to around 148,000 at present. Within these totals the number employed in the arms and arms related industries has fallen from 100,000 to 30,000.

> Russia's share of Slovakia's exports has fallen but its oil and gas sales remain vital

Slovakia inherited from the communist era a heavy focus on trade with other east European countries, a concentration on the arms industry, and "comparatively cheap and qualified manpower," says Mr Meciar.

"The turnround that Slovakia has managed to achieve, meant that we had to change the financial flows from east to west. In the past Slovakia used to export to the west only 8 per cent of total production. Nowadays it is almost 50 per cent of overall production," says Mr Meciar. "Also the structure of the economy is undergoing a sweeping change, which means that heavy industry is contracting, and the share of services is continuously increasing."

According to Prime Minister Meciar "the next objective is to upgrade the technological standards of industry and to reorganise the entire sector of service industries. The Slovak economy has switched to the growth stage, and among the priorities are technological and investment development and foreign trade."

The expansion of the Slovak economy is currently outstripping most of the neighbouring countries of central Europe. Growth of close to 7 per cent in gross domestic product is expected this year following an increase of 4.8 per cent in 1994, the first year of recovery following the years of steeply declining output in the wake of the collapse of communism.

The National Bank of Slovakia is forecasting a further rise of 5.8 per cent in GDP in 1996. This will be "mainly influenced by domestic demand with rising investment and an increase in real wages and not so much by external demand," says Ms Elena Kohutikova, a chief executive director of the central bank.

The strength of the Slovak foreign trade balance – in marked contrast with the rising deficits being accumulated in the neighbouring Czech Republic – is reflected in the financial performance of leading Slovak exporters, in particular in chemicals and steel.

"The cashflow of a number of companies that was desperate in 1993 and very bad in 1994 is now only mediocre and in some cases it is perfectly acceptable and even very good," says Mr Jean-Christophe Ganz, manager of the Bratislava branch of ING Bank, one of the first foreign banks to develop operations in Slovakia.

"There are also changes in the mentality of managements at many of these large companies. Many have made good progress in learning western management techniques in finance, and also in organisation, in rationalisation and in improving etandards of quality." Problems remain, he says in high debt levels, the high cost of borrowing and in poor management of liquidity.

The early phase of the recovery in the Slovak economy was clearly export driven, but the surge in foreign trade is now being supplemented by growth in domestic demand.

Exports remain strong, however, with a growth of around 13 per cent in real terms as Slovakia continues to develop its markets, especially in west Europe, for chemicals and semi-manufactured goods. European Union member states now account for 38 per cent of Slovak exports, though the country remains highly dependent on the Czech Republic which still takes 35 per cent of Slovak exports.

The share of Russia in Slovak exports has fallen to less than 4 per cent, but Slovakia remains highly dependent on Russia for its oil and gas imports, and overall Russia still accounts for 17 per cent of the value of Slovak imports.

Overall foreign trade, which recovered to a surplus of $105m in 1994 from a deficit of $982m in 1993, is likely to remain in surplus this year, while the current account of the balance of payments is forecast to show a surplus of around $400m this year.

With a tight fiscal policy, a stable currency and falling inflation – last month the year-on-year increase in retail prices had fallen to 7.6 per cent – Slovakia has achieved a healthy growth in its foreign exchange reserves. Official reserves of the central bank exceeded $3.1bn this month.

The reserves are now sufficient to cover 3.7 months of imports, a far cry from the crisis faced at the birth of the new state, when a flight of capital had reduced reserves in February 1993 to less than $200m, sufficient to cover only two weeks of imports.

PROFILE

Smokestacks in the Tatras

Half way between the Mittteleuropean sleepiness of Bratislava, with its proximity to Vienna and the west, and the eastern city of Kosice, with its Hungarian and Ruthenian links and its independent ambience, lies the industrial heart of Slovakia.

Here, among the foothills of the Low Tatra mountains, are the smokestacks of the country's heavy industry – aluminium, cement, timber, tanks. It is a region of company towns and high unemployment, bad air, poor housing, and the odd flu epidemic in the smoggy, snowy winter.

This is the part of Slovakia that votes for Vladimir Meciar, and he is profoundly attuned to its concerns. Bratislava rejects him while Kosice, being far away and hard to get to, is indifferent. The plain people of central Slovakia like him and his message. He was, after all, born there – in Zvolen, on July 26, 1942.

It is not surprising, then, that central Slovakia should benefit from a Meciar government. He has taken a great liking to Banska Bystrica, the region's capital, a university city of 100,000 that he has suggested might become a second financial centre for Slovakia.

The prime minister asked the National Bank of Slovakia earlier this year to consider moving to Banska Bystrica, which the bank politely declined. He has, instead, provided funding for the creation of a new state-owned bank, Banka Slovakia, aiming to decentralise the financial markets by bringing the sources of finance a little closer to the customer.

Banska Bystrica has a reputation as a progressive place. One of those responsible for it is Jozef Medved, chairman of Banka Slovakia, who convinced the government of the need for a regional financial policy.

Probably the last thing Slovakia needs is another state- owned bank, but Mr Medved sees his institution differently: "I'm one of those who supports regional financial centres and democratic principles in a market economy."

The city's Mateja Bela university used to be the economics faculty of the university of Bratislava. After 1989 it became a university in its own right. Mr Medved, dean of the faculty at the time, added a progressive department of finance and banking which he now heads. He sees his new bank as "a laboratory for my students".

Banska Bystrica has certain advantages, the greatest of which may be that it is not dominated by one company. The mayor, Igor Presperin, has slashed red tape to get new industries. Subsidies of up to Sk90,000 are available for every new job created. Its telephones are superior to those in Bratislava.

In October McDonald's opened its first Slovak restaurant there, having failed to get agreement with the private owners of a building it had chosen in Bratislava. British and Austrian companies have also opened. Lately the city has hosted a big banking and finance fair, drawing an international audience.

The city "has a positive attitude to attracting new investors," says Philippe Echenard, project manager for McDonald's Slovakia.

Banska Bystrica, right in the middle of Slovakia, is an obvious regional centre. Next year the government plans a reorganisation of local administration, setting up perhaps eight regions and up to 90 sub-regions.

Sonia Capkova, at the Institute for Municipal and Regional Development at the university, believes Slovakia's strong community culture – people are deeply attached to their peasant roots – creates a need for decentralisation. "Central government feels it has to act on representations from the regions," she says.

Banska Bystrica was the centre of the patriotic uprising in 1944 against the fascist government imposed by Hitler, and is at the heart of Slovak nationalism. It is fitting that it should carve out a role in the country's future.

Vincent Boland

■ **Privatisation:** by Vincent Boland

Shares for all no longer the favourite policy

Sell-off procedures are being revised to ensure tighter control of key national assets

On taking office a year ago the government of prime minister Vladimir Meciar introduced sweeping changes in the country's privatisation programme, dropping coupon privatisation for the man in the street and shifting the balance in favour of a narrow group of owner/managers.

The coupon method of sale, an invention of Prague-based economists, was deemed unsuitable by a government of economic nationalists determined to pave a Slovak road to capitalism. The result is a growing concentration of ownership among groups close to the government, which has sought to retain an active role in the economy.

A plan to sell Sk 60bn of state assets using the coupon method had been drawn up by the interim administration. Its cancellation sparked much criticism and came at some cost to budget revenues – investment fund managers who had spent heavily preparing for the new round had to be compensated. In addition some 3.5m coupon holders are to be offered a bond issue due to be distributed in January.

There were good reasons for abandoning coupon privatisation. It is slow and can be an administrative nightmare. It results in widely dispersed ownership and, to be truly successful, it requires the immediate implementation of rules to protect small investors, which are not yet forthcoming in, for example, the Czech Republic.

On the other hand, it has a measure of transparency and fairness in that all adult citizens can participate. This makes it politically popular.

The government's main argument for abandoning the coupon plan was that dispersed shareholdings meant there was no clearly identified owner. There was also the unstated fear among the nationalists that the back door would be opened to foreign investors to pick up assets on the cheap.

Critics argued that these were excuses for abandoning privatisation altogether. The reverse has happened. The adoption of "standard methods" of privatisation has quickened the pace considerably, with hundreds of sell-offs in the second half of this year with an estimated book value of $1bn. These range from small factories to a chunk of petrochemical group Slovnaft.

The speed of the sell-offs is indeed admirable. About 65 per cent of gross domestic product is now generated by the private sector, according to official estimates. The vast majority of these sales have been made to executives and workers at the enterprises involved.

The aim, Mr Meciar says, is to create a native entrepreneurial and managerial class, which Slovakia lacks. He also defends the methods used to reduce state ownership: "Various lobbies say our methods are undemocratic. We think they are necessary and inevitable," he says.

Yet there are clear signs of a wider agenda in the current bout of privatisation fever. Assets are often sold at knockdown prices and buyers have

> The coupon system was a nightmare resulting in dispersed ownership

10 years to pay for them. If the enterprise is important enough, a controversial and ambiguous law on strategic enterprises enables the state to retain a golden share that allows it to wield influence long after the stake has been sold.

Most contentiously, critics say assets are sold only to those deemed loyal to Mr Meciar's all-embracing Movement for a Democratic Slovakia. Scores of company bosses have been replaced this year by allies of the government prior to the sales.

Eugen Jurzyca of the Centre for Economic Development, a think tank, doubts the wisdom of what he terms "family circle privatisation". Selling companies on the cheap throws away money that could be used for social spending and the relief of bad debts. It also promotes inequality by concentrating potentially valuable assets among a narrow group who can then sell them on at great profit to themselves.

There is also growing concern about how these assets are being paid for, in a country chronically short of capital. Those managers who buy the stakes will owe substantial sums to the state holding company, the National Property Fund (NPF), over the 10-year period of the payment. The fear is that company cash flow will be diverted in the form of dividends to owners to make those payments.

Few companies have the cash flow to afford this. "The company is paying for its own acquisition in the end," notes Jean-Christophe Ganz, manager of ING Bank in Bratislava.

Economists tend to play down the political dimension of privatisation. For the National Bank of Slovakia the important thing is that it is continuing, says Elena Kohutikova, head of the independent central bank's monetary policy unit. "It is difficult to decide which privatisation policy is the best one," she says.

So far the government's policy has not had an adverse impact on inflation, but nor has it enabled substantial inflows of fresh capital and know-how. This raises two further questions. The first is how the bond issue will be paid for.

Each coupon holder is to receive a nominal Sk10,000 bond backed by the assets of the NPF. The bonds can be used for things like paying for an apartment or contributing to a private pension scheme, requiring early redemption, and they are also likely to be transferable.

The bonds are due to mature in 2001, requiring the NPF to have up to Sk35bn available to pay out. Meantime, there is annual interest based on the discount rate (currently 9.75 per cent). Although not all holders are expected to retain the bonds to maturity, economists warn that the potential cost of the scheme could be as high as Sk50bn. This is a giant mortgage on the NPF that it must be able to discharge.

The second question is how industry will be restructured. Key companies such as Slovnaft and the big VSZ steel plant have largely modernised and are helping to fuel economic growth. Many others await the kiss of life.

Foreign investment is one obvious solution, and some observers expect a push to attract it next year. This would be a government *volte face*, but one that Mr Meciar may be pragmatic enough to pull off.

PROFILE SLOVNAFT, THE PETROCHEMICALS GROUP

Moment of truth for a national asset

Executives at the petrochemical group, the country's biggest and probably its most important company, have a unique opportunity to test the truth of the local cliché that "what is good for Slovnaft is good for Slovakia".

In a textbook example of the government's privatisation policy at work, the National Property Fund (NPF), the state holding company, sold 39 per cent of Slovnaft in August to 19 of its senior executives, led by chairman and chief executive Slavomir Hatina.

The stake has a book value of Sk6.4bn. Informed sources suggest Slovintegra, the management company that bought it, will pay no more than Sk2.4bn over 10 years. The executives own 51 per cent of Slovintegra and most of Slovnaft's 5,300- strong workforce have 49 per cent.

The deal came just weeks after a global share offering by Slovnaft that flopped. The offer was rescued by the European Bank for Reconstruction and Development, which paid $59m for just over half the total offering, giving it a 10.5 per cent stake, when it became clear that international investors were unwilling to subscribe to it.

Investors were put off by fears that Slovnaft is too close to the government, and because the offer coincided with a radical change in the official approach to privatisation.

Those fears appear to have been partly borne out. The MBO was not flagged at the time of the offer and it has deeply aggrieved the EBRD. A prospectus released at that time gave no hint that the sale was imminent, although there were warnings galore in the document that scared foreign investors.

The prospectus noted, inter alia, that "... no assurance can be given that [the NPF] will not take a more active role in the company in the future, including taking action which may not be in the best commercial interests of the company and its other shareholders."

Jiri Huebner, head of Slovak operations at the EBRD, believes the MBO is not in the best interests of Slovnaft. The company is too big for such a course to be appropriate, he argues. He also says the bank probably would not have rescued the offering had it known the buyout was imminent.

Both the government and Slovnaft's management insist the MBO is good for Slovnaft. Mr Hatina says "there is no conflict between Slovintegra and other shareholders". Management acquired control in order to ensure the completion of a $900m investment programme that he says will make Slovnaft the most modern refining complex in central Europe.

The company has spent heavily on restructuring and cleaning up its operations to cut pollution and waste. It is now an increasingly efficient and profitable operation. Over the past two years several foreign oil companies, notably Austria's OMV, have sought a strategic partnership.

Management now fills that role. "We consider Slovintegra as a strategic partner for Slovnaft that will ensure its long term success," Mr Hatina says.

He is one of the few senior executives of Slovak companies to escape a purge by the government since the start of the year. Dozens of corporate bosses regarded as "anti-government" have been replaced by people the government trusts to implement its nationalist economic policy.

Yet Mr Hatina may be more independent than the government thinks. Last month Slovnaft shareholders, including Slovintegra, the EBRD and the NPF, which retains 25 per cent, rejected a plan that would have allowed the government to exercise a golden share with a veto over key corporate decisions.

The move has undermined a controversial and ambiguous law allowing for a golden share in strategic industries that many industrialists would like to see scrapped. Its rejection shows, notes Jaromir Cekota of the EBRD in Bratislava, that "in private companies managers behave like private owners, not as agents of the government".

That may yet be good news for Slovakia. It is unclear whether it will persuade the EBRD to remain a shareholder in the medium term. The bank is thought to be seeking an exit mechanism at the same price at which it stepped in to buy its stake. The Constitutional Court, meanwhile, is expected to rule on the validity of the golden share law this month.

Vincent Boland

■ **Nuclear power:** by Kevin Done

Snail-like progress at Mochovce

Russia and the Czechs are poised to complete the project after years of delay

The eight huge cooling towers of the Mochovce nuclear power station and its marching columns of power transmission pylons dominate the surrounding countryside of south-west Slovakia.

But no steam pours from the towers and electricity is transmitted into the power station but not out of it. Fifteen years since building work first started the 1,800-strong operational workforce at Mochovce can still only rehearse and practise. Construction ground to a halt during 1991 and 1992, as finance for the work dried up.

The need for the power station to be completed is becoming increasingly urgent, however, as electricity consumption rises to satisfy economic recovery, and Slovakia's existing outdated nuclear and thermal power stations pose a growing safety and environmental threat.

Electricity consumption has risen this year by around 8 per cent in response to an increase of around 6 per cent in Slovakia's gross domestic product.

Nuclear power accounts for around 55 per cent of Slovak power generation, but it all comes from the four reactors at the Soviet-designed Bohunice nuclear power plant, where the first two units, which came into operation in 1979 and 1980, are due to phased out in the first half of the next decade. The design of the safety provisions at Bohunice date from the 1960s and 1970s.

Now, after several years of negotiations, the turning point for Mochovce may finally be in sight with the prospect that work at the site could re-start next spring. Slovenske Elektrarne, the state-owned power utility, hopes that in the coming weeks it will be able to sign definitive contracts with a group of Czech, Slovak and Russian groups, which could open the way to generating power from the end of 1997 or early 1998.

The Czech-Russian scheme has been adopted controversially by the Slovak government in preference to a deal negotiated painfully during the past two years with the European Bank for Reconstruction and Development and Electricité de France (EdF), the French state utility.

The EBRD had laid down several conditions on its proposed DM412.5m loan for co-financing the completion of the Soviet-designed Mochovce power plant, which proved unacceptable to the Slovak government.

In particular, Bratislava

> In spite of widespread concerns, it is claimed that safety will meet international standards

rejected the EBRD's insistence that electricity prices should be increased by close to 30 per cent – to begin to close the gap with market prices and to strengthen the finances of the electricity utility – and that the oldest of the reactors at Bohunice should be closed in 2000.

The present scheme for Mochovce, which still faces strong foreign opposition – in particular from neighbouring Austria – is aimed at completing two of the four 440MW generating units planned for the site.

The first of the Russian-designed VVER pressurised water reactors was 90 per cent complete, when work was halted, and the second was 80 per cent complete, says Mr Vladimir Grujbar, Slovenske Elektrarne board member for strategic planning. He estimates the cost of the project at DM1.2bn.

"By the end of this year we want to have decided the framework conditions for the contracts with suppliers and the framework conditions for the financing. The big start should come in March. It is hoped that block one will be ready for commissioning by December 1997, although the safety improvements programme is not yet decided in detail, so this is still uncertain," he says. The second reactor would be commissioned a year later.

Last week, Slovenske Elektrarne moved a further step

Mohovce: after 15 years electricity comes in but none goes out

with the signing of an agreement with EdF to provide technical and support services for the completion of the first two units at Mochovce.

EdF, which was to have been the prime contractor for the EBRD financed scheme, will now provide technical support in project control, quality assurance and safety improvement and will also assist in the development and organisation of the project.

Despite international concerns Slovenske Elektrarne insists that the Mochovce plant will be completed in line with the safety criteria laid down by the International Atomic Energy Agency and will also comply with the recommendations put forward by Riskaudit, the Franco-German consultants.

Czech, Russian and Slovak groups will be the leading contractors with safety improvements to be carried out by Siemens of Germany and Framatome of France. It is planned that the financing will be backed by Russia, two leading Czech banks, Slovak banks and a west European bank.

Under this structure the Czech engineering firm Energoprojekt Praha, will be the general designer for the Mochovce project in co-operation with the Russian nuclear design organisations. Skoda Praha will be the general contractor for the supply of plant and equipment, while the Slovak construction group Hydrostav Bratislava will be the main contractor for the civil engineering works.

It is planned that work on the necessary safety improvement studies will be carried out by Siemens of Germany and Framatome of France in conjunction with Skoda Praha and the Russian organisations with implementation under the leadership of the Czech group.

Financing is expected from various sources led by the Czech banks Komercni Banka and Ceska Sporitelna, which are offering loans of around $200m and DM200m respectively. Support worth $150m is expected from Russia, partly in cash and partly in kind including the provision of nuclear fuel. Additional funding support is being negotiated with Slovak and west European banks, says Mr Grujbar.

هكذا من الأصل

SAUDI ARABIA

Shocks overshadow kingdom's progress

A rise in fundamentalism and the King's recent illness have put new strains on this traditional but nevertheless fast-changing ally of the west. **David Gardner** reports

Just as Saudi Arabia was beginning to adjust to life in the (relatively) straitened circumstances of lower oil revenues, it has suffered two heavy blows in the past two months.

On November 13, a car bomb destroyed a US-staffed Saudi National Guard communications centre in Riyadh in the first real terror assault on the kingdom. Then, at the beginning of this month, King Fahd Bin Abdul-Aziz, the frail Saudi monarch, was taken into hospital, triggering fears of a succession crisis.

Both incidents provoked a similar, if short-lived, increase in oil prices, as markets worried about the stability of a country which has a quarter of the world's proven oil reserves. These events ocurred, moreover, as the kingdom was at last making some headway in bringing its finances under control, after a decade of soaring budget and current account deficits.

The two shocks have also overshadowed Saudi Arabia's significantly improved relations with some of its neighbours. Border disputes have been settled or largely resolved with Kuwait, Qatar, Oman and – daspite recant frontier clashes – Yemen.

The attention which the bombing and the King's illness have received outside tha Kingdom have been magnified in proportion to the jealousy with which the Saudi authorities have sought to guard them from public view. King Fahd, for axample, left hospital on December 8 and is recuperating from what is officially described as "a sudden indisposition" but is widely believed to have been a minor stroke.

The information vacuum has allowed lurid speculation to surround the two incidents, both inside the Kingdom, and in the outside world where Islamist opponents of the ruling al-Saud dynasty conduct their fax-borne propaganda war against the regime. Their current lina is that a power struggle has broken out inside the ruling family and that November's attack on the National Guard – which is headed by Crown Prince Abdullah, the King's heir-apparent – could have been part of this. Such ideas proliferate easily, and are part of the price the al-Saud pay for their closed society, where efforts to impose a combination of secrecy and strict security are frequently thwarted in the age of the modem and the fax.

The most likely perpetrators of the bombing are Saudi Islamic fundamentalists who, in the wake of the Gulf war, have called with growing stridency for fewer links with the US and the west, an end to alleged royal corruption, and in some cases for the ruling family to share power by allowing Saudis to elect representatives.

Islamist dissidence has risen since Saudi Arabia was used as the base for 800,000 US-led troops ranged against Iraq after President Saddam Hussein's 1990 invasion of Kuwait. It is no accident that the bombers chose a target which hit the regime and the US in one blow; five American servicemen were among the dead.

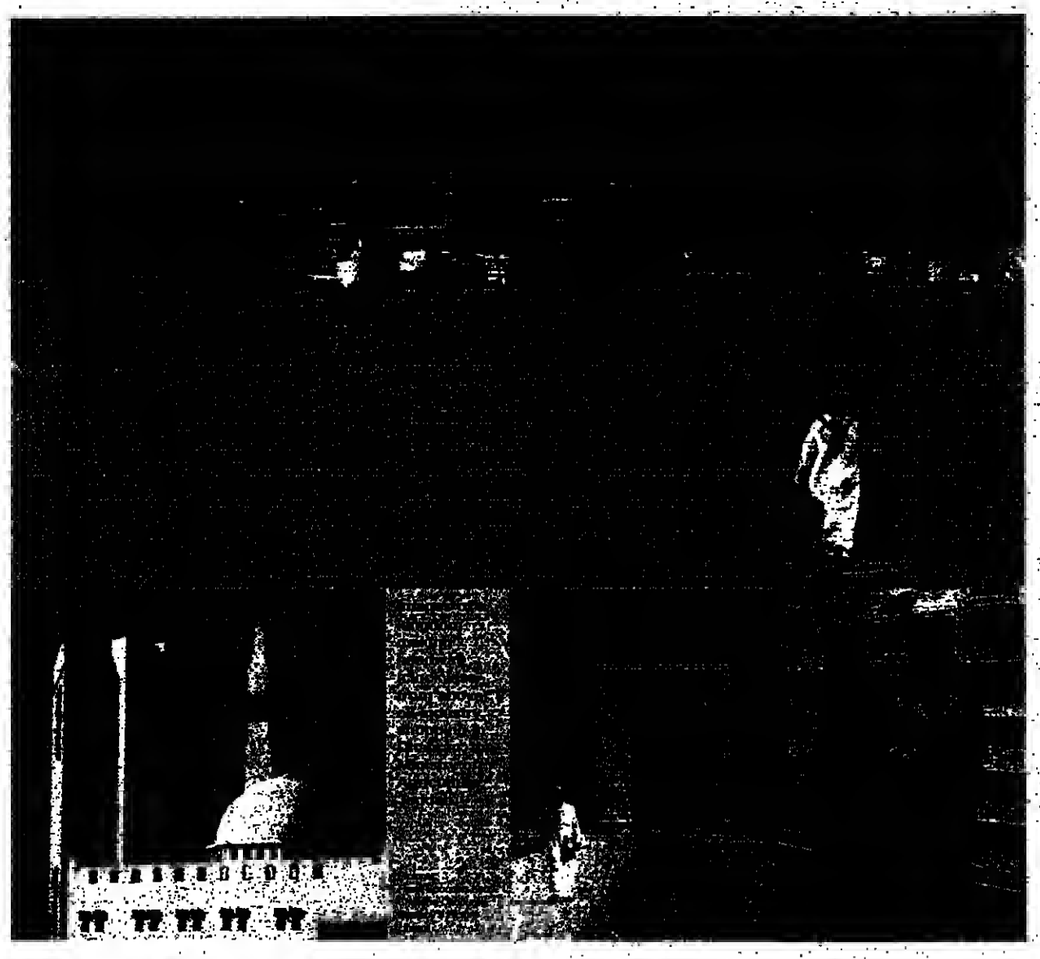
King Fahd reshuffled the cabinet in August to promote technocrats

External support from either Iraq or Iran for such actions cannot be ruled out. But leaflets warning the west against backing the Saudi regime have circulated inside the kingdom ever since last year's round-up of hundreds of Islamist clerics and dissident academics. This followed agitation against the ruling family from the north-western province of Qasim, a seedbed of fundamentalism.

Indigenous Islamists had not previously demonstrated such operational capability. However, Saudi intelligence encouraged thousands of volunteers – 4,000 from the holy city of Medina alone – to fight in the 1980s alongside the Mujahideen in the western-backed jihad (holy war) against the Soviet invaders of Afghanistan. Former "Afghanis", as the Arab volunteers are known, lead the Islamist insurgencies in Algeria and Egypt, and it seems unlikely that tha most numerous, Saudi, contingent has forgotten its zeal, its skills, and the taste of victory in Afghanistan.

When the King extensively reshuffled the cabinet in August to promote technocrats (20 out of 28 of his ministers have US degrees), the Saud family tightened its control of tha security set-up. But he also sacked six of the kingdom's seven university chancellors and replaced more than half the members of the Council of the Ulema, the religious establishment, in two little-noticed moves aimed at countering the spread of Islamist zealotry.

Throughout the Arab world, rulers are sensitive to the charge of being subservient to the US which is in turn seen as pro-Israeli and anti-Moslem. Saudi Arabia, the original Islamic fundamentalist state following the al-Saud's 18th Century alliance with the austere Wahhabi brand of Islam, is no exception – except that the charge strikes at the heart of ruling family's legitimacy, as custodian of tha two holiest Moslem shrines in Mecca and Medina.



But there is little to suggest that when King Fahd leaves the scene, the succession will not be smooth. Al-Saud watching is a rather less exact science than Kremlin-watching during the cold war, but everything points to a takeover by Crown Prince Abdullah, to be followed in his turn by Prince Sultan, the defence minister. Aficionados will only get really excited when Prince Sultan names *his* Crown Prince, probably Prince Salman, the influential governor of Riyadh.

All the above are full brothers except Prince Abdullah, a half-brother. But the Crown Prince has the National Guard, the main instrument of internal control; he is valued by the family for his rapport with the tribal Bedouin; and he is popular in spite of (perhaps even because of) his stuttering public manner. One moderate Islamist intellectual describes him as "a humanist" and a member of the court concurs, while complaining that he is "surrounded by bad advisers."

All this assumes that one-man control will endure undiminished, and highlights the absolutism of the Saudi monarchy. "Decision-making is concentrated in one man," says one western ambassador, "and that cannot continue – not because there is anything inherently wrong with absolute monarchy, but because something that worked in 1935 (when modern Saudi Arabia was put together by conquest) won't work in 1995."

King Fahd two years ago created a *Majlis al-Shoura* (consultative council), whose members he appoints, and whose deliberations he is free to ignore. This falls far short of demands from moderate Islamists and liberal critics for a move to an elected assembly. Yet last year's budget was submitted in outline to the *Majlis* and then amended in the light of its review – more than many elected parliaments can claim in shaping policy.

The consultation helped smooth the way for a second round of real spending and subsidy cuts which, along with a 21 per cent rise in the average Saudi oil price in the first half, have reduced the budget deficit from 17 per cent of GDP in 1990 to something near balance this year. The current account deficit has also shrunk, from 27 per cent in 1991 to a likely 4 per cent this year, according to a broadly complimentary recent IMF report.

There is less confidence of a return to high oil prices ocurring; rather a determination to keep crude output at current levels of 8m barrels a day so as never again to be caught with falling prices *and* falling production, as Saudi Arabia was in the mid-1980s.

The new emphasis is on mobilising the private sector, through privatisation, more open capital markets, private financing of infrastructure and development of new mineral resources. The language is changing as such sectors as petrochemicals are opened to private business. Mr Ibrahim ibn Salamah, managing director of Sabic, the highly profitable, majority state-owned petrochemicals and plastics group, says: "Our futura depends on our competitiveness. We are competing worldwide; why shouldn't we compete inside the country?"

Such a trend could bring conflict with the 5,000-odd al-Saud princes, accustomed as many of them are to treating the country's wealth as private patrimony. Indeed, plans to tap export credits are coming to grief because of the kingdom's refusal to give "sovereign guarantees", easily construed as a possible lien on the private fortunes of the sovereign and his closest kin.

Yet tha al-Saud, through family and tribal ties, have a finger on the pulse of their traditional but fast-changing society. Their resilience is legendary – surviving war, tha strains of sudden oil wealth followed by an even more sudden oil price collapse, and Islamist challenge of the indigenous and Iranian variety. They can be expected to react vigorously to the challenge to their hegemony offered by November'a bombing.

They are not about to become a bicycling monarchy but, in the view of one western ambassador, "they will now have to restrain members of the royal family, and turn the princes into paying members of society".

IN THIS SURVEY

■ **Banking:** by Robin Allen

Anomalies inhibit growth

Behind the expansion and the short-term optimism lie structural anomalies which inhibit long-term growth

Confidence has so far been unaffected by last month's car-bomb attack in Riyadh, where local bankers are too busy concentrating on year-end figures, expanding their range of services, and looking for quality loan business to give more than e passing thought to politics.

"A non-event," was the reaction from Mr Ron Shaw, Saudi British Bank (SBB)'s managing director. "The car-bomb incident has had no effect whatever on the market," echoed Mr Saud al-Saleh, Saudi Investment Bank (SAIB)'s general manager, who sees only improved earnings and continuing stability.

"There will be no problem in reaching tha sama level of profit increase next year as this year," was Mr al-Saleh's confident prediction. "We have already booked the business."

Third-quarter results of 11 of the 12 Saudi banks – the largest, Netional Commercial which alone has nearly 25 per cent of all Saudi bank assets, does not issue quarterly or half-year figures – showed increased profits, assets and deposits compared with the same period last year. Only lending was down. By the end of September nine of the banks had increased their profits compared with the same period last year.

Al-Rajhi Banking & Investment Corporation, the only domestic bank operating under Islamic Sharia principles, reported profits of SR803m ($214m) to the end of September, only $20m less than for the whole of 1994. Other banks which improved earnings were Sandi Cairo, Saudi French, United Sandi Commercial Bank, SAIB and SBB.

Riyad Bank, the country's second-largest in terms of assets, hed already earned almost $30m more by the end of September than for the whole of last year. The results were the latest to reflect a sustained improvement in the bank's fortunes, and the finance ministry has now lifted a trusteeship placed on the bank following a crisis more than 30 years ago.

Banks have spent huge sums on automation — Picture: Frank Spooner

Banks have spent huge sums on automation, and enhancing off-balance sheet operations. All banks operate the electronic share trading system; most have gone into managing mutual funds and private client portfolios. According to the International Monetary Fund, combined assets of managed portfolios now amount to more than SR30bn. Five years ago they barely featured.

For sheer growth, however, derivatives put all other areas in the shade: echieving 48 per cent annual compound growth, according to the IMF. Commercial banks' derivative contracts last year totalled a notional $639bn.

Bnt behind the expansion and the short-term optimism lie structural anomalies which inhibit the long-term growth and commitment of Saudi commercial banks.

One is the short-term nature of customer deposits. According to the IMF, total deposits, excluding foreign and unclassified deposits and capital eccounts, amounted to some SR300bn at the end of the first quarter this year. Bankers say more than half of these are either demand deposits or for less than six months. So banks have to be highly liquid.

Another anomaly is the lack of lending opportunities and the small size of the market relative to liquidity, and simultaneously, the sheer weight of government on the economy in general and the banks in particular. In recent years the government, short of money, has met a "significant part", in the IMF's words, of its needs, by borrowing from commercial banks. Banks have responded by drawing down their foreign assets from 37 per cent of total assets in 1993 to 31 per cent last year, in order to lend to the government. This may help their balance sheets, but as the IMF points ont, in so doing commarcial banks have exceeded the 60 per cent loans/deposits ratio set by the Saudi Arabian Monetary Agency (central bank).

A third anomaly is tha absence, despite repeated statements to the contrary by government officials, of a self-sustaining private sector. Banks rely on business from large, well-established companies, the government or parastatal companies. They are nervous of lending to smaller private sector companies. Last October, the 20 per cent of largest industrial companies were getting nearly 70 per cent of short-term loans and more than 80 per cent of longer-term loans from both commercial and state banks. The smallest 20 per cent were getting e paltry 3.5 per cent.

Commercial banks favour project finance business for the highly profitable affiliates of Saudi Basic Industries Corporation (Sabic), and the state and parastatal power companies are among the most favoured.

A fourth anomaly is the way the private sector is being squeezed, not least by the government's own failure to clear $3.5bn worth of delayed payments to contractors and suppliers. Cuts in state subsidies have eaten into people's disposable incomes and the retail trade is generally down.

However, banks cannot ignore retail customers. Half the population is aged under 21, and future customers will be enticed only if banks spend now on improving their retail services. Little wonder that domestic bankers have no time to spare for car bombs.

■ **Offset deals:** by Robin Allen

Programme is taken seriously in the west

The government is determined to pursue technology transfer for economic and security reasons

Saudi Arabia requires leading arms suppliers to offset part of the valna – usually about 30 per cent – of their primary contract against high-technology investments into the kingdom in partnership with local private sector companies. In time this rule will apply to civilian as well as defence contracts. Offset obligations can also be fulfilled by the resulting joint venture company's export sales.

All Gulf oil producers would like to enforce an offset component for defence sales. What distinguishes Saudi Arabia from the rest of the field is that it alone has an economy substantial enough for the offset programme to be taken seriously by western companies.

But it has been a struggle, as US defence companies found, following the signing, in the early 1980s, of the multi-billion-dollar Peace Shield command, control, and communications programme to support its airborne warning and control systems (Awacs).

Peace Shield led to the creation of five offset ventures. Advanced Electronics Company (AEC) was the first, in September 1988. Its shareholders and companies whose defence prodncts are made under licence – M1A2 main battle tanks, F-15 and F-16 fighter aircraft – represent e roll call of leading US, Saudi and regional companies.

Two of the five, Middle East Propulsion Company and Aircraft Accessories and Components Company, have British participation. AT&T of the US, e shareholder in AEC, has since won further contracts and set up its own 50-50 link in more ventures with previously established offset partners.

The British government incurred about $1.5bn worth of offset obligations on behalf of British Aerospace, following the two Al-Yamamah agreements of 1985 and 1988. Seven offset partnerships have been concluded with Saudi partners including the two stakes in the Peace Shield ventures; four more are under negotiation including three new ones in the food, pharmaceutical and petrochemical fields.

According to Mr Colin Craig, a director of British merchant bank Robert Fleming, which is financial adviser to the British government for many of the offset deals, the UK is "about one third of the way" to meeting its offset obligations.

The French also incurred obligations from the second of two Sawari naval supply and training agreements signed only a year ago, and have so far set up one.

Western companies are often critical of Gulf states' "lofty" (a polite word for grandiose) ambitions when it comes to the development of domestic high-technology industries.

They point out that these countries generally have neither the indigenous skills, nor an intellectnal grasp of the long-term commitment which technology transfer requires.

They add that the existence of e mandatory offset component in a large contract is like a "forced marriage"; that if a high-tech partnership makes commercial sense, market forces would ensure it happened anyway. The host government's intervention merely distorts relations.

Many, if not all, of these reservations have been progressively broken down where Saudi Arabia is concerned. For all the bureaucratic hurdles and daily aggravations of doing business in the kingdom, western bankers and businessmen confirm there is a depth of individual talent in the Saudi public and private sectors which has evolved with extraordinary speed. And they do not doubt the government's commitment.

Dr Ghassan Al-Shibl, AEC's executive vice-president, points out that several factors underpin the government's determination to pursue technology transfer, not simply as an economic priority but as a basic prerequisite for national survival.

These include Saudi Arabia's huge size – one-third that of tha US, with only 12.5m nationals. Some 60 per cent of the population are aged under 18. Many of these will soon be graduates seeking skilled jobs.

The country is also noted for its scattered centres of population and the thousands of miles of borders which need to be protected. It has 5m expatriates that it would rather do without. Some of these can and will be replaced.

The country is over-dependent on outside sources for defence systems, products and support.

All of these features exist in the context of persistent regional instability.

The lesson of Saudi Arabia's vulnerability came home during the Gulf war. As Dr Al-shibl recalls, Saudi Arabia had "limited credible local capabilities in many critical areas". What was equally alarming was tha hasty departure of key members of the foreign workforce.

The economic offset programme is designed to correct these imbalances. It increases the kingdom's self-reliance at a compound rate each year. And by tying some of the leading western defence and industrial companies into the country's economy, it ensures that western governments have an interest in continuing Saudi stability.

In an ideal world this would evolve as the Saudis intend – on Saudi Arabia's own terms. However mnch their ideals may fail to match reality, their commitment to offset matches their intentions.

KEY FACTS

Area	2.15m sq km
Population	18.5m (1995 estimate)
Head of state	King Fahd Bin Abdel-Aziz al-Saud
Currency	Saudi Riyal (SR)
Average exchange rate	fixed at $1=SR3.745

ECONOMY	1994	1995*
Total GDP ($bn)	125.7	134.5
Real GDP growth (%)	0.0	1.5
GDP per capita ($)	7,003	7,272
Components of GDP (%):		
Private Consumption	43.8	
Total investment	19.7	
Government Consumption	27.0	n.a.
Exports	39.3	
Imports	-29.8	
Consumer prices (annual percentage change)	0.6	5.5
Reserves minus gold ($bn)	7.4	9.5
Total external debt (% of GDP)	14.9	14.8
External debt per head ($)	1,046	1,074
Petroleum production (m b/d)	8.1	8.2
Petroleum reserves (bn bls)	285	290
Current account balance ($bn)	-9.1	-7.2
Exports ($bn)	42.2	45.9
Imports ($bn)	21.5	23.3
Trade balance ($bn)	20.7	22.6

Main trading partners (1994, percentage by value):	Exports	Imports
Japan	16.9	10.8
US	16.8	20.0
France	5.5	4.4
UK	2.3	7.7

Notes: * EIU estimates
Sources: Economist Intelligence Unit, Datastream, IMF, World Bank

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■ **The economy:** by David Gardner

Changes on the way

The government is trying to cut spending, maximise revenue, diversify away from oil and revolutionise the private sector

The 1990-1991 Gulf crisis was as much as anything else an economic war for Saudi Arabia. Coming on top of the oil price *collapse of 1986, it finally* prompted the beginnings of a restructuring of the kingdom's oil-fired economy.

After a decade of soft oil prices and increasingly unsustainable budget deficits exacerbated *by the huge costs of the* Gulf war, and with 125,000 young Saudis entering a shrinking jobs market each year, the government is trying to cut hitherto lavish spending, maximise revenue, diversify away from oil, identify comparative advantage and mobilise the private sector.

The kingdom spent about $60bn underwriting the Gulf war alliance against Iraq, thereafter committing itself to some $80bn to capital outlays – more than half of this on weaponry – worsening a 10-year trend of large current account and budget deficits. Net official foreign assets were run down to about half pre-Gulf war levels, now standing at about $73bn; this is equivalent to more than three years export cover, but most of these assets are illiquid.

Over the past two years, *however, the government* has cut spending sharply, raised charges on the heavily subsidised utilities and public services, and reorganised its capital spending programme.

The fiscal deficit has been reduced from 17 per cent of gross domestic product in 1990 and 1991 to 10 per cent last year, and probably a lot less than half that this year: the budget was practically in balance during the first quarter, as a result of buoyant oil prices. The current account deficit has fallen in tandem, from 27 per cent in 1991 to 9 per cent last year and, according to IMF predictions, a likely 4 per cent this year.

Mr Kevin Taecker, chief economist of Saudi American Bank, says the kingdom needs to earn roughly $45bn a year in oil revenues to "break even" on its budget and balance of payments. Sharp falls in crude prices in 1993 and 1994 left Saudi Arabia well adrift of this, but this year's rebound – a 21 per cent increase in the Saudi average sale price – *should bring it close.* The government had budgeted conservatively for an average $14.50 a barrel oil price, whereas the average so far this year has been nearer $15.60 – worth an extra $3bn to revenue, against a projected budget deficit of $4bn.

At the same time Saudi Arabia has maximised revenue by bringing on stream more valuable light crudes, and further developing its downstream sector. The temptation now is that the kingdom's rulers will feel that rising oil prices have floated them free of their financial difficulties. King Fahd always said the *financial crisis was temporary,* and in the summer all but pronounced it over.

Mr Hamad Saud al-Sayari,

governor of the Saudi Arabian Monetary Agency (Sama) or central bank, insists, nevertheless, that the austerity measures "have sent a clear message to the economy and throughout the administration that the government will deal with the deficit and improve its revenue base".

The government has also used its extra revenue with care. This year it paid off the $4.5bn "war loan" raised abroad, thereby eliminating its foreign debt, and Mr al-Sayari says that "at the moment there is no intention of going out to borrow abroad". It has also paid off more than half its SR20bn ($5.3bn) payments arrears to private contractors.

Domestic debt of about SR338bn is high – the equivalent of nearly 80 per cent of GDP – up from 50 per cent of

> There are already *indications that* business is beginning to respond

GDP just after the Gulf war. But the sparse evidence available suggests that it is stabilising. Moreover, a good deal of this debt is with government pension funds which were well endowed during the fat years, so that, as Mr Taecker puts it, "two-thirds of the total debt out there is just between two different branches of government". There are, indeed, rumours *of an impending* SR9bn bond issue to clear up remaining government payments arrears.

Yet this level and form of domestic indebtedness implies a bet on the oil price in about 15 years' time. From now on, therefore, the government will have to find extra margin for manoeuvre, and is looking for it in the private sector, in boosting non-oil exports, and *in a new focus on education* and training – all priorities of the sixth five-year plan, unveiled this year.

Government spending cuts,

added to payments delays, depressed the economy, causing a small contraction in output to 1993 and no growth last year. With growth now beginning to recover, the government forecasts real increases in GDP of 3.8 per cent a year to the end of the decade. Significantly it expects virtually the entire increase in investment levels to come from the private sector.

Clearing up payment arrears and the policy of pegging the riyal to the dollar are part of an effort to attract back some of the $130bn which Saudi citizens are estimated to hold in foreign assets. But the government now says it is considering privatisation, particularly of Saudia, the national airline, and also of telecommunications, both of which it is re-equipping at a total cost of $10bn. As is increasingly the norm, this spending is supposed to be to large part self-financing, with the outlay being recovered from increased *charges and eventual sale of* the assets. The government is also looking to the private sector to finance a good deal of future capital expenditure, for example by opening up the kingdom's mineral resources.

There are already indications that business is beginning to respond. Authorised private investment has doubled since the war, as has the loan-to-deposit ratio of Saudi banks. One banker estimates there is now steady capital repatriation of about $3bn, and that this could double in the right climate. "Just repatriating the interest on (private) foreign assets, say about $6bn a year, changes the *picture around here* enormously," he says.

Mr Ahmed al-Hakami, deputy planning minister, says: "The private sector now is not dependent on the government as it used to be in the past. They don't need government revenue. They have more than enough liquidity and they are looking for a return."

They will be looking for part of that return in capital markets the government has said it wants to liberalise and deepen, but not, except at the margin, for foreigners, to whom they are closed. The Saudi authorities, in common with much of the Gulf, fear the effects of sudden inflows and outflows of money of the type that triggered last winter's financial crisis in Mexico, and still shiver at the memory of the collapse of Kuwait's unregulated stock exchange in the 1980s. "They talk about Mexico, but what they really mean is the Souk al-Manakh," in Kuwait, one banker says.

Mr al-Sayari, the Sama governor, says: "We're not interested in overnight money – that is destabilising and we are conservative by nature."

■ **Privatisation:** by Robin Allen

Deep-rooted difficulties

Many foreign investors say initial bureaucratic indifference and incompetence are followed by a mass of practical problems

Saudi officialdom is its own worst enemy when it comes to attracting foreign investment into the private sector.

Official statements would seem to indicate that Saudi Arabia is fully committed to privatisation and eager to attract foreign investors into its private sector. But bankers and businessmen with long experience of Saudi Arabia say deep-rooted political and "cultural" difficulties remain.

For "cultural" read "emotional". With significant individual exceptions, the Saudi mentality – as expressed through the quality of its laws and incentives and the attitudes of many of its civil servants and political hierarchy – does not relish competition and is not reconciled to foreign investors owning chunks of Saudi companies.

Many foreign investors say initial bureaucratic indifference and incompetence are followed by a mass of practical problems which militate against ventures going beyond simple exports.

"Saudi Arabia has yet to *learn that it is just one more* country which has to compete like everyone else if it wants to attract international investors," said one Arabic-speaking foreign banker with 25 years experience of the country.

Delegates at a recent "business opportunities" conference were astonished to learn – via a question from the floor – that unless an investor comes from a country which has a double taxation agreement with Saudi Arabia, the government imposes a 45 per cent income tax on the foreign partner of a joint venture. High taxation is not a feature generally associated with the kingdom.

Delegates were not told that all companies in the kingdom are required under a decree reaffirmed by the new cabinet to make a compound increase in their Saudi workforce of 5 per cent a year. If they do not, they are not eligible for government loans or contracts. Few companies, local or joint venture, will give preference to Saudis.

According to Prince Nayef Abdul-Aziz, interior minister, in a speech on December 3 to a Riyadh seminar in which he castigated the private sector for failing to employ nationals, Saudis account for only 4 per cent of the total workforce in the non-oil industrial sector and 12 per cent in the services sector. In the past five years, he said, the numbers of non-Saudi workers to the private sector had nearly doubled.

Potential investors are not told that block work permits for expatriate workers have been stopped since the beginning of this year. Now each new permit, as well as each new expatriate labourer, has to be individually cleared.

The Saudi private sector is "growing at an annual rate of 4.5 per cent," potential foreign investors are told. In fact, according to the International Monetary Fund: "growth in the private sector during the fifth plan (1990-1994) averaged only *1.5 per cent, falling well below* the planned growth rate of 4.6 per cent."

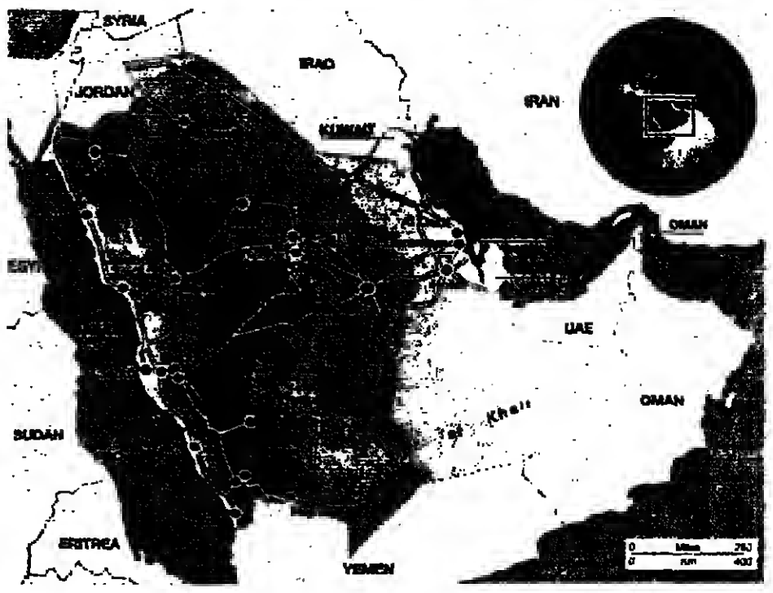
It is true that in the past 18 months, under the pressure of successive budget deficits, the government has tried to correct the country's unfavourable image; through statements made by the King since June 1994; and by devoting space to private sector development in its sixth five-year plan.

King Fahd stressed that his government would press ahead with privatising "profitable" state institutions. He identified the telephone network, petrochemicals and the national airline, Saudia. He backed up his words last August by making wholesale changes in the cabinet, retiring older ministers and bringing in new people, many of whom are committed to a self-sustaining private sector.

But the King possibly lost an opportunity in not giving one single ministry overall responsibility for investment, privatisation, foreign trade or economic development – any one of which would have given a clear signal of his government's serious intent. All that exists in this regard is a "privatisation office" inside the finance ministry headed by a deputy minister. The ministry has no strategic direction following *the resignation,* for health reasons, of the new minister within weeks of his appointment and his replacement by a caretaker to oversee next month's budget.

Saudi Telecom, the first sector identified by the King, generates a very healthy cash flow and "is expected to be the first industry to go private," according to a British investment group which had ministerial talks to Riyadh last month.

Saudi Telecom has already started the process of privatising pay telephones. But it is thought further steps will have to wait until AT&T, the largest US telecoms company, has



made progress on its $4.1bn expansion programme. However, Mr Ali al-Jehani, the new post, telegraph and telephone minister, who is an enthusiastic proponent of the private sector, intends to push ahead with privatising postal services, according to Riyadh business sources last month.

The second area, petrochemicals, essentially concerns Saudi Basic Industries Corporation (Sabic) of which 30 per cent is already owned by private investors. Sabic is well managed and extremely profitable, with profits for this year forecast to reach $2bn. But the prospects for further privatisation have been clouded by conflicting official statements, and are riddled with ambiguities.

First it was Sabic itself which was to go public. This notion was quickly quashed by the previous industry minister and Sabic officials. Then the talk was of putting on the market part of Sabic's stake in one or more of the 15 joint ventures in which it has a holding of over 50 per cent. This idea has also fizzled out. At the end of last month, according to the Saudi daily al Eqtisadiah, talk centred on Sabic offloading part of its share in new ventures only. But if Ibn Rushd, the industrial fibre company, is an example, shares will not be sold through the stock market, thus depriving the public of any chance of acquiring a direct stake.

The third sector referred to by the King, Saudia, is not so much an industry, more a *social service and a notorious* financial quicksand. It will take years of hard work to restructure it. According to Saudi bankers at the end of last month, Saudia will not see the start of privatisation in the life of the current development plan, which covers the period 1995-2000. The plan does not lay out any specific programme for the private sector. It only refers to "the feasibility of privatising some business-oriented government activities". The one sector selected as an example is electricity – an area which the king specifically omitted.

However, Mr Hasbem Yamani, the new industry and electricity minister, told businessmen in Riyadh at the end of last month that he intended to increase generating capacity by 50 per cent from the existing 20,000MW in the next six to seven years. This will involve a capital outlay of billions of dollars which he intends to find from domestic and foreign investors through build-operate-own-transfer contracts and variations of these.

"The introduction of private capital into the power expansion programme will happen fairly quickly," say informed sources.

But it looks like being a long time before the private sector is dynamic and self-sustaining enough to achieve the foreign investor interest that ministers say Saudi Arabia wants.

Saudi Telecom: expected to be the first industry to go private *Frank Spooner*

■ **The stock market:** by Robin Allen

Classified as 'pre-emerging'

Even in its most frenetic days, the index was irrelevant as a barometer of the country's economy. It remains so today

A witticism doing the rounds of international investment banks defines the world's 38 "emerging markets" as those "whence an investor, *once in,* finds it difficult to emerge". Middle East markets, however – according to an Arab economist at the Middle East and North Africa (Mena) economic summit in Amman last month – have an even narrower definition. They are classified as "pre-emerging".

Saudi Arabia's stock market fits neatly into this latter category in spite of much loose talk describing the Saudi stock market as "burgeoning" and "the largest in the Middle East", whose capitalisation is "twice as much as all the other regional stock markets put together".

The Saudi market did have one 18-month binge of activity in the aftermath of the 1990-91 Gulf war, when from a base of 100 it rose to 240 as wealthy individuals repatriated up to $8bn of the estimated $200bn in safe-keeping overseas. Shares in real estate companies soared. Most of the kingdom's banks and some industrial companies took advantage of this liquidity to recapitalise.

By October 1993 however, the index had fallen to 186; a year later it stood at 146. Last month it ranged between 120 and 139. Even in its most frenetic days, the index was irrelevant as a barometer of the country's economy. It remains so today.

Saudi market capitalisation is some $55bn. The next largest in the Middle East is Kuwait ($13bn), then Bahrain ($5.6bn), Jordan ($4.7bn); and Egypt ($3bn). According to the World Bank, the total capitalisation of Arab stock markets is some $90bn. By these standards, the Saudi market's capitalisation looks pretty impressive.

More to the point, however, is that last year, according to Dr Ihsan Bu-Hulaiga, the Saudi director of industrial data at the Qatar-based Gulf Organisation for Industrial Consulting, the stock markets of the entire Middle East, including North Africa and the Gulf, attracted less than $300m – just 0.75 per cent – of an estimated $40bn of worldwide cross-border equity flows. That would mean Saudi Arabia attracted about 0.4 per cent: hardly a good beginning for the kingdom's privatisation programme.

Saudi Arabia's is a floorless stock market without a central exchange. Shares are traded by telephone and computer and in dealing rooms at commercial bank branches scattered across the country, through an Electronic Securities Information System (ESIS). Trading is closed to foreigners, except in a few cases where citizens of neighbouring Gulf states are allowed to trade. The system is an easy, and legal, prey to insider trading.

Trading is restricted to fewer than 70 companies. Trading volume in the last week of November was about 135,000 shares.

More than half of the shares traded were in just three companies: Riyad Bank; Saudi Basic Industries Corporation (Sabic); and Yamamah Cement. There was no trading in 13 shares and fewer than 1,000 shares changed hands in a further 22 companies.

"There are no marketmakers," said Mr Saud al-Saleh, general manager of Saudi Investment Bank. "Trading for the sake of trading is a new phenomenon. Most of the shares are held by long-term investors. But capital markets are the country's next major development." For now, however, the Saudi system con*tains all the characteristics of* "pre-emerging markets". World Bank and the International Monetary Fund reports have touched on these deficiencies.

"Entrenched monopolistic habits in the public and private sectors; out-of-date and cumbersome legal frameworks; lack of a self-sustaining private sector and an investment framework to attract foreign capital," are all features referred to in a World Bank report last year on Oman – many of which, the Bank says, are shared by its neighbours.

In a more recent report on Saudi Arabia, the IMF says: "Opening the stock market to foreign competition and creating secondary markets for government bonds would enhance liquidity. Similarly improvements in accounting and disclosure requirements would enhance the efficiency of the stock market."

According to Dr Bu-Hulaiga, "the country's funding requirements are greater than what Saudi commercial banks can support." For the time being, however, the government has told the IMF it has no plans to liberalise the rules governing foreign investment or to open the stock market to foreign competition.

تشكر ماكدونل دوغلاس

المملكة العربية السعودية

على شرائها طائراتنا

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للخطوط الجوية العربية

السعودية

(translation) "McDonnell Douglas thanks the Kingdom of Saudi Arabia for buying our MD-90 and MD-11 aircraft for Saudi Arabian Airlines."

MCDONNELL DOUGLAS

PROFILE Sabic, petrochemicals group

Giant doubled its profits

Sabic, Saudi Arabia's petrochemical giant, has come of age. Last year, the company doubled its profits to SR4.2bn, a figure which was surpassed in the first nine months of this year when profits rose to SR4.9bn.

The buoyant performance of the group, which accounts for 5 per cent of the world petrochemicals market and which is 70 per cent state-owned, has been largely due to strong worldwide demand for chemicals over the past two years.

The ability of Sabic to take full advantage of upturns in world petrochemicals markets is the result of a long stream of large investments over almost two decades. This has resulted in an export-oriented, integrated oil and gas industry with multiple petrochemical product lines.

But Sabic will continue to be a focus for additional large-scale investment given the kingdom's continuing need to extract as much value as possible out of its natural resources.

Mr Ibrahim Ibn Salamah, Sabic's vice-chairman and managing director, says the company's impact on the Saudi economy goes far beyond the revenues which accrue to the government as the principal shareholder. "Our key role is the industrialisation of the country through ntilising our natural resources," he says.

Much of Sabic's capital expenditure is used to buy plant and equipment from foreign companies. But its influence on the domestic economy is significant. It employs e growing number of Saudis, who now form the majority of the workforce. In addition, Sabic's industrial sites have spawned a number of local support services.

Sabic officials also point to the company's success in encouraging further downstream industrialisation outside the Sabic group. Plastic supplies to the domestic economy this year have risen to 400,000 metric tonnes a year, compared with 60,000 tonnes in the mid-1980s. Company officials say the availability of such supplies has freed funds previously allotted to imports, and has "allowed local manufacturers to undertake dramatic expansion and diversification programmes".

The result, they say, is that the per capita consumption of plastics in Saudi Arabia "...will soon be the highest in the developing world and will quickly approach the levels of use in Europe and the US".

The company's ability to raise its own finance is also proving useful to e government that is reluctant to borrow directly. Earlier this year, for example, a $700m loan to the Saudi Petrochemical Company (Sadaf), a joint venture between Sabic and a subsidiary of Shell Oil of the US, was oversubscribed. A total of 39 local, Gulf and international banks subscribed to the loan, one of the largest ever in the region. It will be used to help finance a planned $900m expansion programme.

Sabic has also helped to spawn a "small shareholder culture" among ordinary Saudis. The 30 per cent of the company that is not controlled by the government is currently in the hands of about 100,000 Saudi private investors, according to Sabic officials.

Mr Henry Azzam, senior economist at the National Commercial Bank, believes more Sabic shares will be offered to the public, although some government officials may be reluctant to privatise it fully. "The question is, would you sell Sabic at a time when it is providing you with billions in revenues," says Mr Azzam.

Sabic hopes to increase those revenues through ambitious expansion and diversification plans. Mr Salamah says that "Sabic is still in the initial stages of its development" compared with other large petrochemical producers.

Sabic plant: significant influence on the domestic economy

But it is showing signs of reaching e more mature stage in its development. In the past spending on research and development was minimal because the focus was on building capacity in key areas. "We are quite new to R&D and just starting to spend significant amounts on it," says Mr Salamah. The goal, however, is to increase R&D spending to the point where it represents "about 2-3 per cent of Sabic's annual turnover".

There may also be changes in the way Sabic structures individual projects. In the past, all of Sabic's key projects have been in the form of joint ventures. Some industry analysts have speculated that Sabic might undertake more independent projects in future. But it is also intent on diversifying the shareholding of some of its projects, and will in future be satisfied with less than 50 per cent of some projects, according to Mr Salamah.

The reported conversion in mid-December of one of Sabic's main divisions, Ibn Rushd, the Arabian Industrial Fibers Company, to a public joint stock company points to further structural changes in future.

The relative buoyancy of world chemical markets does not mean that Sabic will cease its efforts to become more competitive, says Mr Salamah. Although the Saudi industry's international competitive position is underpinned by low cost raw materials, Sabic will continue to try to contain its costs. Mr Salamah estimates that world prices accounted for about 80 per cent of last year's profit performance. Efficiencies at Sabic contributed 20 per cent.

Sabic's key markets are in the fast-growing economies of Asia. But it is still bitter that it has only restricted access to European markets. "There has been no progress" on protracted talks with the European Union, says Mr Salamah. "We expect better treatment from our European friends."

Sabic has also been involved in a dispute with Aramco over the cost of natural gas, although Mr Salamah declines to characterise the negotiations between the two as such. But he says that "any increase in the price of gas would affect the performance of Sabic." Future plans for expansion "...depend on how competitive we are", he says.

Some industry observers say the issue of gas supplies is critical to the future of the petrochemicals industry and the speed with which private investment flows into it. They say a number of private sector-initiated petrochemicals projects have been delayed because of uncertainty over future gas supplies.

Robert Corzine

■ Foreign policy: by David Gardner

US alliance remains firm

Concern about 'overdependence' on the Americans extends far beyond the ranks of the Islamists

The car-bombing of a Saudi Arabian National Guard communications centre on November 13 in the heart of Riyadh, which claimed five US military advisers among its victims, was an attack on one of the cornerstones of Saudi policy – the relationship with Washington.

Although Ssudi officials refused to speculate publicly on the motives of the attack or who was responsible, both they and their US counterparts were quick to announce that it would not succeed in prising apart the firm alliance between the two countries. What the bombing did highlight, however, is that this alliance remains politically sensitive inside the kingdom.

Whether or not the bombing was the work of external powers such as Iraq or Iran, or, more probably, was carried out by Saudi Islamic fundamentalists, with or without foreign support, it seems likely that only a minority of Saudis are outrightly hostile to King Fahd's pro-US and pro-western stance. But muttering about "overdependence" on the Americans extends far beyond the ranks of the Islamists.

"We are totally oriented, commercially and politically, towards Washington," says one member of the King's court, "and thet is not healthy."

"We react, but we don't take the initiative; in my country the Americans have more rights than we do," remarked one Saudi businessman, commenting on Riyadh's muted response to the US Congress votes to transfer the American embassy from Tel Aviv to Jerusalem, the east of which is regarded internationally as occupied Arab land.

The King and his foreign policy advisers appear to be aware of these sentiments, which built up considerably as a socially discomfiting by-product of Saudi Arabia serving as the base for 800,000 foreign troops during the 1990-1991 Gulf crisis. That crisis did expose the vulnerability of the kingdom and the Gulf emirates to powerful neighbouring predators such as Iraq and their dependence for their security on the US and its allies. But Riyadh has, nevertheless, sought to reduce the visibility of the relationship, not always without friction.

Links with the US go back to the first oil shipments from the kingdom in 1939 and the US-built foundations of the Saudi oil industry, and to the historic meeting in Egypt in 1945 between King Abdulaziz (Ibn Saud) and President Roosevelt. Oil-for-security has always been at the core of the relationship – Washington'e most important alliance in the Middle East after that with Israel.

Mr Mahmoun Kurdi, deputy foreign minister, describes the relationship as one of "interdependence, not dependence, as long as we have the courage to say no when proposals are not in the best interests of Saudi Arabia.

"We have a great zeal to preserve our independence," he says, adding that "we don't always share the strategic vision of the US."

This spring, for example, Riyadh upset Washington by refusing to allow the US to "pre-position" an armoured brigade inside the kingdom – as the Americans have done in Kuwait and Qatar – to enable a rapid reaction against threats to the Gulf. The foreign ministry readily supplies a reasoned view for Saudi reluctance, saying that such a force would encourage complacency, and would scarcely have been appropriate to meet the sort of threat posed by Iraq in 1990-1991.

While sticking firm to the US alliance and equipping itself with predominantly American modern weaponry, officials continue, Saudi Arabia furthermore wishes to build up a "peninsular shield" with its Gulf Co-operation Council (GCC) partners.

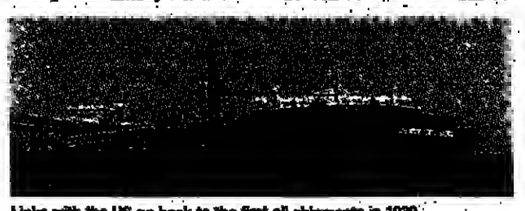
Be that as it may, underlying the al-Saud reluctance is a concern not to provoke their subjects by allowing a significant foreign force to station itself in the kingdom. And if claims by informed Saudis that big contingents of US troops have been exercising on a rotating basis with both the National Guard and the Saudi army are true, this would merely underline the ruling family's touchiness on the subject.

The US was also unhappy when it felt the Saudi authorities blocked its attempt to apprehend Mr Imad Mughniyah, a leader of the Lebanese Shia militia Hizbollah. The US holds him responsible for the devastating truck bombing of its marine barracks in Beirut in 1983 and wanted to grab him during a flight stopover in the Red Sea port of Jeddah in April.

US officials claimed Riyadh prevented the flight from landing, fearing terrorist reprisals. But Saudi officials insist faulty intelligence led to a misunderstanding – "the stopover simply didn't happen," says one. "It wasn't that we refused."

Such spats, and differences of emphasis in, for example, the Middle East peace process, have not, however, managed to obscure the importance of the relationship to both sides.

When Riyadh last year demurred at accepting a State Department Arabist as Washington's ambassador, it was widely observed that this was because he was outspoken and knew too much. US officials, along with British and other officials anxious to secure lucrative arms and infrastructure contracts, are seldom as critical of Saudi human rights abuses and corruption as they are of similar practices elsewhere.



Links with the US go back to the first oil shipments in 1939

An alternative, equally likely, explanation is that the Saudis wanted someone close to President Bill Clinton – which they got in former Mississippi Governor Raymond Mabus. The Saudi ambassador to Washington, Prince Bandar bin Sultan, is the King's nephew, and was elevated to ministerial rank, while remaining in situ, in this August's cabinet reshuffle.

"We consider our relationship with the US a very special relationship," a senior foreign ministry official explains.

There are also nuances about Saudi reticence to end the cold war with Israel. Riyadh is, for example, close to lifting all aspects of the Arab commercial boycott of Israel, but unlike neighbouring Qatar and Oman, is not poised to enter commercial and diplomatic relations with the Jewish state. This attitude is unlikely to change until Syria and Lebanon reach peace terms with Israel, and perhaps until the status of Jerusalem is resolved between the Israelis and Palestinians.

The land-for-peace deals reached with Jordan and the Palestinians in 1993 and 1994 could be said to have their intellectual origins in a plan put forward by then Crown Prince Fahd in 1981, and Saudi diplomacy has worked behind the scenes to extend them. But Riyadh views "normalisation" with Israel ahead of a comprehensive settlement as dangerously divisive of Arab ranks. And despite its muted response so far, it will have to have a special regard for Jerusalem, as Islam's third most holy site after Mecca and Medina – King Fahd's preferred title, it should not be forgotten, is Custodian of the Two Holy Mosques, and the al-Saud derive legitimacy from this role.

"Saudi Arabia is not just Saudi Arabia," says Mr Kurdi. "We represent more, in terms of the holy places, and for the Moslem world. A position taken by Saudi Arabia will be interpreted in the rest of the Moslem world as advice on which way to move." And the Saudis move with caution.

هكذا من الاصل

■ **The oil industry:** by Robert Corzine

Technocrats sway policy

Diplomats in Riyadh speak of an 'unwritten' agreement between Saudi Arabia and western governments

The oil policy of Saudi Arabia, the world's largest petroleum exporter, has long been the focus of endless speculation among international oil company executives and energy analysts.

Ask managers at refineries from Texas to Spain what the next year is likely to bring in terms of returns and margins, and you will probably be referred to "those officials in Riyadh". But they can provide only part of the answer. As befits an absolute monarchy, King Fahd has the ultimate say over such a strategic issue as oil production and pricing policy.

However, technocrats can exert some sway over the direction of the policy. The appointment as oil minister earlier this year of Mr Ali Naimi, a career executive with Saudi Aramco, the state oil company, was widely seen as a sign that the oil sector might be subjected to fewer political forces in future. Only time, however, will tell if that interpretation is correct.

But Mr Naimi's businesslike attitude was clearly on display during deliberations at the November meeting of the Organisation of Petroleum Exporting Countries.

The decision to extend the two-year-old production ceiling of 25.52m barrels a day for at least another six months was in line with Saudi concerns to ensure stability in world oil markets, even if in so doing it gave non-Opec oil producers a "free ride".

Diplomats in Riyadh speak of an "unwritten" agreement between Saudi Arabia and western governments, and especially the US, over keeping average oil prices in a $15-$18 range. Saudi officials reject such links as a "myth," although they acknowledge that for the time being the kingdom can live with prices for the benchmark Brent Blend in a range of $16-$20.

They concede that political considerations, such as Saudi Arabia's dependence on the US for its defence, are factors which are considered when pricing policy is discussed. But they also note that the US, as the world's second-largest oil producer as well as its largest oil importer, has never concluded whether higher or lower oil prices would be better for its economy.

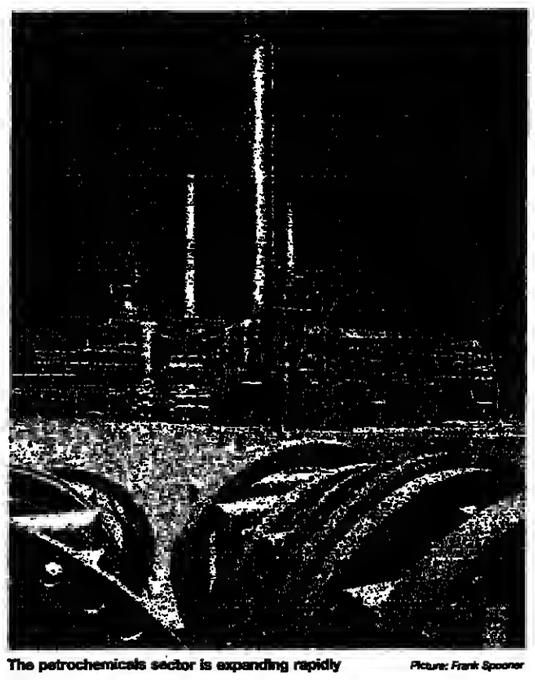
"But if oil prices rise, they (the US) are sure to get some of it back through increased Saudi purchases of US goods," says one government official.

Saudi Arabia is secure in its position as the dominant member of Opec. But the declining influence of the organisation has caused some Saudi officials to speculate on how an "Opec Mark II" that reflected recent changes in the structure of the international oil industry might be more desireable.

Saudi Arabia still believes that the world oil market needs some form of regulation. "The ideal situation would be to have the largest companies and countries in one organisation," said one official. But the conflicting interests of such a grouping would probably prove unworkable.

The preferred alternative for Saudi Arabia would be an organisation that included top non-Opec oil exporters. High on the Saudi list is Norway, the world's second-largest oil exporter, although other big non-Opec producers such as Mexico also figure prominently in their thinking.

The key, say Saudi officials, is to have member states in which there is a single, dominant state-owned producer. Saudi officials are suspicious of the current trend among some Opec states to invite international oil companies to take part in new exploration and production projects. "When you have large numbers of companies operating in a country then you have to have domestic quotas as well as a national quota," says one official.


The petrochemicals sector is expanding rapidly — Picture: Frank Spooner

It is not clear whether Saudi Arabia will actually make any moves to reform Opec in coming years. What is clear is that the Saudis see no need to emulate their Opec colleagues in inviting foreign companies to take part directly in the oil and gas industry.

Government officials say they are confident in Aramco's ability to oversee the development of the industry. The $2.5bn project to develop the Shaybah oilfield in a remote area in the south-east of the country is a purely Aramco undertaking, although foreign contractors will be responsible for much of the development.

The field contains about 7bn barrels of light, sweet crude which should command a premium on world markets. Output is likely to be about 500,000 b/d by 1999. But it is only intended to make up for declining production at existing fields and will not result in a further expansion of Saudi Arabia's capacity of about 10m b/d.

Over the past year, Opec producers have been frustrated by their inability to capture a share of the growth in the world oil market. Saudi Arabia has formally joined the chorus of complaint, but officials say the kingdom is content to stick with its present Opec quota of 8m b/d.

That level of oil output also ensures that there is sufficient associated natural gas produced for power stations and for the rapidly expanding petrochemicals business, a sector which is making a growing contribution to the country's balance of payments.

Aramco is planning to develop separate gas reserves. But its current dependence on associated gas has caused some analysts to wonder whether the country can cut oil output without damaging downstream industries.

Mr Henry Azzam, a senior economist at National Commercial Bank in Jeddah, says Saudi Arabia is "now geared to production of 8m b/d no matter what happens," in large part because of its gas requirements.

Government officials and Aramco executives see future export growth centred in Asia. The current strategy, which includes a mixture of exports and direct investment in Asian refineries and other downstream facilities, is likely to continue. But financial pressures in Saudi Arabia suggest that the expansion overseas will be measured rather than rapid.

■ **Minerals:** by Robert Corzine

Relatively slow development

The government believes that mining is a sector in which direct foreign investment is acceptable

Saudi Arabia is usually associated with black gold, although relatively large amounts of the real thing await exploitation as well, say government officials.

The development of the mineral wealth of Saudi Arabia has been relatively slow given the obvious emphasis on oil. The government, however, would like to accelerate the development of mineral resources, especially gold and phosphates, as part of the diversification of the economy. It also believes that mining is a sector in which direct foreign investment is acceptable.

But foreign involvement in the Saudi economy is rarely free of controversy. Some elements in the government appear particularly reluctant to allow foreign companies access to gold deposits, according to observers familiar with the industry.

"The key is the policy towards gold," says one westerner who follows industry developments closely. "Some Saudis say: 'It's ours, why should we give it away'?"

But it may be necessary to allow foreigners into the gold sector, where paybacks are relatively quick, if the kingdom is to attract international investment in larger, long-term projects to develop industrial metals and phosphates.

Critics also say the government has been slow to appreciate the scale of the worldwide competition for foreign investment in mining. The end of the cold war has opened up the mineral resources of the former Soviet Union to foreign companies, while many third world countries in Africa, Latin America and Asia have dropped earlier opposition to foreign involvement in mining and are competing fiercely for investment.

Mr Mohammed Rashied al-Dahlawi, assistant deputy minister for mining affairs in Jeddah, says Saudi officials now accept that they have to compete for capital. "We are aware of these things now," he says.

Mr al-Dahlawi believes most international companies are satisfied with the present mining code. But the kingdom is "currently studying incentives to investors offered by other countries. We will try to select those elements which fit in with our style of life," he says.

Issues being examined include accelerated depreciation, the appropriate percentage of profit sharing, taxation levels and depletion allowances. Tax concessions, however, are expected to be linked to projected returns from individual projects.

Foreign companies have been particularly keen to ensure that the mining rules are applied consistently over time. One of the main messages to Saudi officials from industry seminars they have held abroad is: "Please do not change your rules every year."

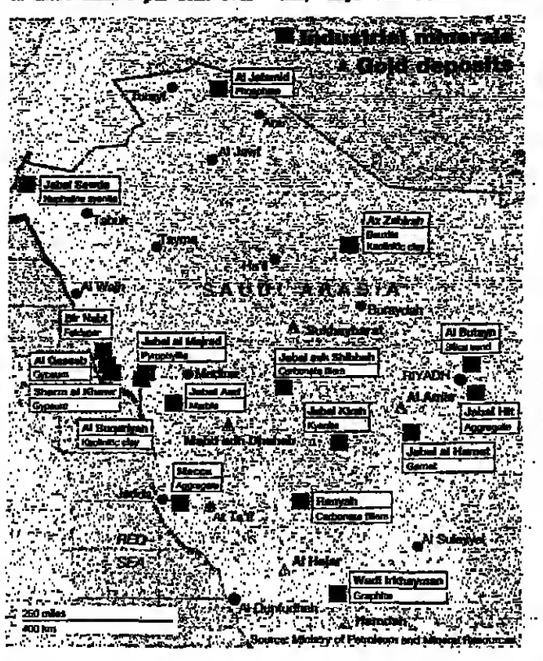
Foreign companies would also like to see the approval process for individual projects streamlined. Other obstacles to the faster expansion of mining include the lack of electrical power and water at remote sites.

But the government says it is prepared to help the private sector overcome such problems. Its emphasis on developing the industry stems in large part from the need to provide jobs for the growing number of younger Saudis.

Officials at the Ministry of Petroleum and Mineral Resources predict that the sector will grow at an annual rate of more than 9 per cent over the next few years. But profits from mining are not viewed as "a major source of future government revenues." Instead, officials hope that a big expansion of the mining industry will have positive effects on the domestic economy, especially in the rural areas.

They point, for example, to the fact that many of those involved in small-scale quarrying or mining are poorly educated, nomadic people. Many could enjoy wider opportunities if the mining industry became more diversified. But the government also hopes that larger-scale operations will attract urban Saudis, although as one official notes: "Too many young Saudis still want jobs tailored to their lives. They would rather earn 2,000 riyals a month in Riyadh than 6,000 riyals at a remote mine." But officials are confident that as opportunities for lifetime government jobs recede and more mining-based communities are created, younger people will be attracted to the industry.

Officials from the US Geological Survey, which has mapped the mineral potential of the country, say Saudi Arabia offers some advantages over less developed areas of the world, such as Africa. "The kingdom is not another Nevada in terms of gold potential," says one USGS official.



But although many prospective mining areas are remote, conditions are generally good. The country also has an established industrial and heavy construction infrastructure that mining companies can use.

At present, gold production is about 200,000 ounces a year. The US Geological Survey believes output could eventually rise to 400,000-500,000 ounces, with the long-term production rate somewhere between 300,000 ounces and 500,000 ounces a year. That would place the country in the medium to large category of gold producers.

The development of phosphates reserves is another priority for the government. Extensive deposits at Al-Jalamid in the north of the country are part of the same ore-bearing belt that extends from Morocco through Jordan to Saudi Arabia. Eventual production could be as high as 2.9m tonnes a year of diammonium phosphate, the raw material for fertiliser.

Government officials say exploitation of the reserves could make Saudi Arabia a leading fertiliser producer, with a competitive advantage of being relatively close to fast-growing markets in southern Asia.

Development of the reserves would also have an immediate impact on Saudi's balance of payments, because it would no longer have to import phosphates from Morocco. But the remote location of the deposits has hampered development efforts.

Two proposals are being considered to move the phosphate to planned processing facilities at Jubail on the coast. One would involve the construction of a pipeline that would transport the phosphate in slurry form. The alternative, a proposed rail link, would be up to four times more expensive to build. But Saudi officials say it could be the key to economic development across a wide swathe of northern Saudi Arabia, although financing such a large infrastructure project could strain the government's budget.

The government says three or four companies are expected to submit detailed proposals for the phosphate project by March next year. Cabinet approval is expected to take at least six months, with full implementation of the project taking place over three to five years.

■ **Defence:** by Robin Allen

Security forces are stretched

The sheer size of the country and the length of its land and sea borders make the task daunting

For the ruling al-Saud family, "defence of the realm" goes well beyond the requirements normally associated with strategic priorities of deterrence against external aggression.

The kingdom's defence and national security concerns have several other strands. They include internal intelligence, surveillance and security directed by Prince Nayef, the interior minister; containing historical border disputes with its neighbours; providing internal security assistance to at least one neighbouring state, Bahrain; and supervising the distribution of Saudi funds to Islamic organisations overseas to ensure the money does not go to politically-active groups trying to exploit local discontent against the al-Saud.

At the conventional level alone, the sheer size of the country and the length of its land and sea borders make the job daunting enough. Saudi Arabia is one-third the size of the US with a Saudi population of only 12m. To the north it has 1,000km of hostile border with Iraq and more than 600km with Jordan. To the south there is a further 1,500km of uneasy border with Yemen, plus 1,000km – now officially settled – with Oman; and a further 500km border with the UAE. It has a simmering and politically intractable border dispute with Qatar. In addition, there are 2,000km of border along the Red Sea and a further 700km along its eastern Gulf coast opposite an unpredictable Iran.

The problems of providing adequate internal surveillance and security have been illustrated by the November 13 car bomb explosion in Riyadh, and the failure so far to find those responsible. The attack was a sharp reminder not only of Saudi Arabia's porous borders but of its immense size and the relative ease with which individuals can avoid the authorities.

But the overwhelming number of critics of the al-Saud are not terrorists. The ruling family is being squeezed from two sides. As Mr Zalmay Khalilzad puts it in the summer 1995 edition of Survival, the quarterly published by the London-based International Institute for Strategic Studies (IISS): "Pressure for political reform is mounting from primarily two directions – a 'liberal' one, and a far more potent religious fundamentalist one."

It was partly to counter this growing pressure that the King created the new post of vice-minister for public intelligence within the council of ministers in last August's cabinet reshuffle.

Time and resources are also needed to contain border disputes with Qatar and Yemen, to name only two. Then there is Saudi assistance to Bahrain's security forces to contain unrest in that country. These are political rather than overt military problems, and Saudi Arabia's "covert" but all-too-conspicuous role in Bahrain is not winning friends for the al-Saud in the wider Arab and Moslem world.

The supervision of funds distributed to Islamic organisations overseas stems from the kingdom's own internal unrest and efforts to counter it. In October 1994, the government established the Supreme Council for Islamic Affairs under the chairmanship of Prince Sultan Bin Abdul-Aziz, the defence minister. It was he who is now responsible for preventing the misuse of funds sent to Islamic groups abroad.

For the west, Saudi Arabia is the the linchpin of security in the wider Gulf area, which supplies a third of the west's daily crude oil needs.

The 1990-91 Gulf war demonstrated Saudi Arabia's numerical and qualitative inferiority when confronted by Iraqi aggression. To counter this persistent threat and to plan for other eventualities from Iran or elsewhere, the kingdom has to rely on superior training and weaponry, a commitment from its government and armed forces and speed of response.

Its armed forces number about 160,000 and some 80 per cent of these are ground forces in the national, conventional, army under Prince Sultan, some 5,000 of which are stationed in Hafar al-Batin near the Kuwaiti border as part of the regional "Peninsular Shield" force; and the Saudi Arabia National Guard (Sang), which also has its own air force units.

Sang is more akin to a royal bodyguard and is separately commanded by the Crown Prince and first deputy prime minister Prince Abdullah Bin Abdul-Aziz, the King's brother. The balance of the forces is made up of the navy and coastguard – 12,000 men – and the air force, 18,000.

According to the IISS, maintaining and equipping these forces cost $13.9bn this year; one-third of total budget expenditure and 11 per cent of gross domestic product. Budgetary cutbacks have delayed new orders for more main battle tanks – and also delayed payments for US equipment already ordered.

Senior Gulf military sources reckon, however, that Gulf countries will still be spending some $60bn-$80bn in new equipment up to the year 2000, and most of this will be spent by Saudi Arabia.

The kingdom's principal suppliers for ground forces and the air force are the US and Britain. France has traditionally been the country's main naval supplier. Late last year it won a FFr19bn order to supply two "stealth" frigates in addition to an earlier contract worth some $1.2bn to re-equip four frigates sold 15 years ago.

Despite these huge outlays, Saudi Arabia remains heavily dependent on the US in order to maintain a credible deterrent. US and British air force units are stationed in Dhahran as part of "Southern Watch," the aerial supervision of Iraq south of the 32nd Parallel. Unofficial sources in Riyadh say there are thousands of US troops exercising and training Saudi forces.

But the official Saudi refusal to allow the US to pre-position supplies and the poor level of co-ordination among Gulf countries' defence forces cause anxiety in Washington, where senior officials last September stressed the need for "greater access and more pre-positioning of equipment". Given Saudi Arabia's domestic political climate however, this is unlikely to be forthcoming.

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